DEFENSE LOGISTICS AGENCY

# DSCP MEDICAL READINESS

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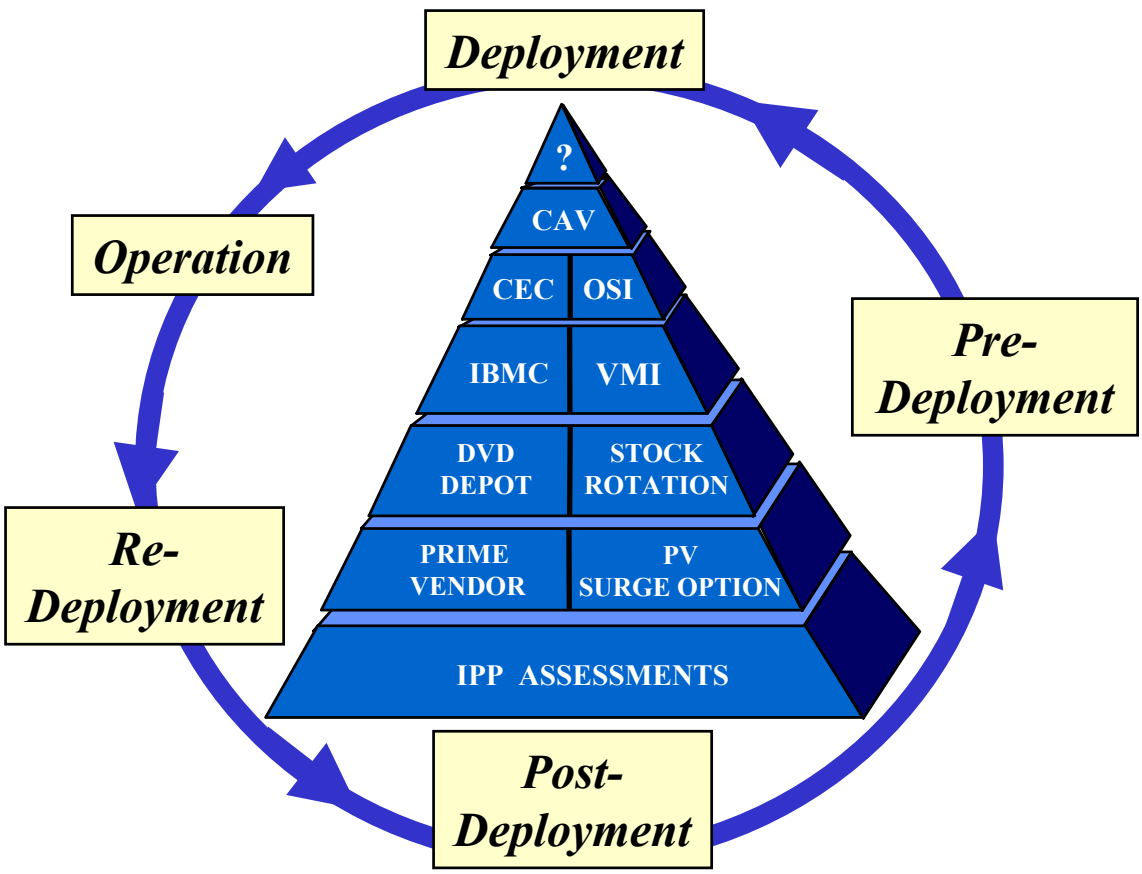
# WHOLESALE MEDICAL LOGISTICS READINESS PLAN

***Multiple Acquisition Strategies***

***Information Dominance*** ***Velocity Management***




***Supporting America's Fighting Forces***

**DEFENSE LOGISTICS AGENCY**
DEFENSE SUPPLY CENTER PHILADELPHIA
700 ROBBINS AVENUE
PHILADELPHIA, PENNSYLVANIA 19111-5092

IN REPLY
REFER TO **M**

June 7, 2001

**TO OUR VALUED CUSTOMERS OF THE MEDICAL DIRECTORATE:**

We are extremely pleased by your continued acceptance and support of the DSCP Medical Directorate's **Wholesale Medical Logistics Readiness Plan (WMLRP)**. This latest WMLRP booklet provides readiness updates including Medical Surgical Vendor Managed Inventory, Corporate Exigency Contract Awards, Overseas Support Initiative Contract, Commercial Asset Visibility, Readiness Management Application/Readiness Decision Support System version 1.0 progress and other ongoing initiatives.

The mission of DSCP's Medical Directorate is to increase the combat readiness of America's Fighting Forces by providing our soldiers, sailors, airmen, marines, their families, and other customers world-wide the best possible customer response for medical supplies and equipment when and wherever needed. To fulfill this mission, we have developed, multiple acquisition strategies to meet your requirements in support of peacetime operations, humanitarian relief efforts, lesser contingencies and Major Theatre Wars (MTWs). These programs are complimentary, mutually supporting and are best described as our "Readiness Pyramid." Each block plays an important and defined role, but none are independently capable of meeting the full spectrum of support required.

As we build our "Readiness Pyramid," we continue to focus on achieving a number of key objectives:

**Cost Effectiveness:** Our primary goal is to buy access to inventory whenever possible. When our only option is to purchase inventory, we attempt to couple this with a commercial rotation base. Buying and holding stock is only used as a last resort.

**Jointness:** Joint Vision 2020 envisions a focused logistics system capable of responding rapidly, tracking and shifting assets even while enroute and interfacing at the strategic, operational and tactical levels to reduce our logistics footprint and decrease the vulnerability of our logistics lines of communications. Success in this endeavor depends on close cooperation and inter-relations between DSCP, the Military Services and industry.

**Information Technology:** Working with the Defense Medical Logistics Standard Support (DMLSS) Program, the Joint Total Asset Visibility (JTAV) community and others, we will ensure that the electronic information tool is a strategic multiplier, which provides the means to make focused logistics a reality.

We hope this Wholesale Medical Logistics Readiness Plan booklet assists you in better understanding our medical logistics support capabilities, their strengths and their weaknesses. Please keep in mind that this is but a snapshot in time. We continue to add new programs to our readiness pyramid as we identify better, more effective means of fulfilling our readiness mission.

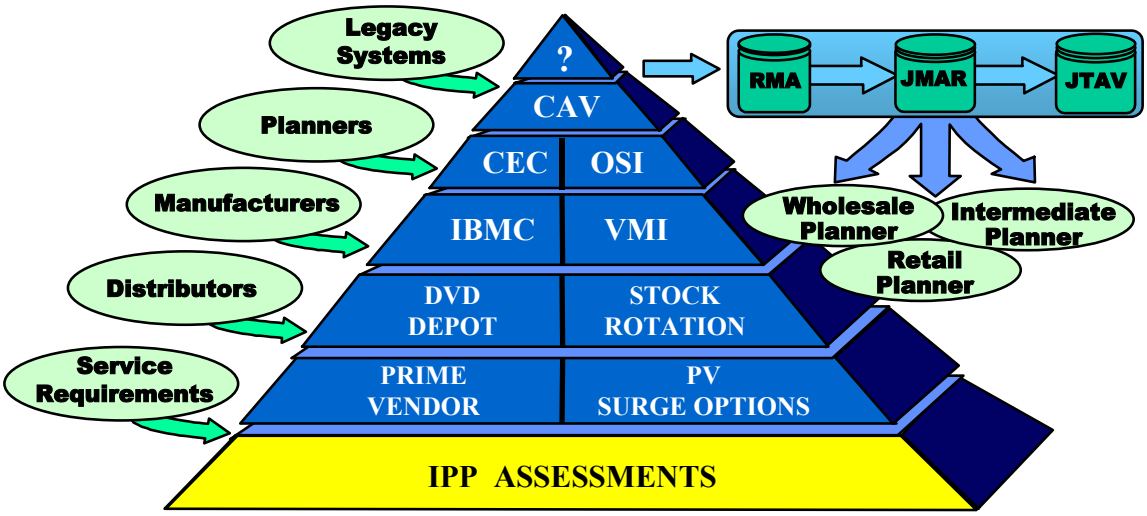
Please do not hesitate to contact us with any questions or comments you may have.

STEPHEN A. McMANUS
Acting Director
Directorate of Medical Materiel

# IPP ASSESSMENTS

The foundation for medical readiness planning at the wholesale level is the Industrial Preparedness Planning (IPP) assessment. The IPP assessment is a collaborative effort between DSCP Medical, the Services and the healthcare industry. DSCP Medical Directorate conducts the IPP survey and manages the program. The goal of the IPP process is to assess the industrial capabilities of manufacturers and distributors to provide materiel to meet the time phased mobilization and sustainment requirements of the Services. Proper IPP assessment allows both DSCP and the Services the ability to plan and assess the wholesale medical readiness posture.

Once the Services' time phased requirements are provided to DSCP, DSCP passes the requirements to the healthcare industry via an IPP survey sheet. After the surveys are sent to the manufacturers and distributors, the manufacturers and distributors voluntarily provide time phased production data against the Services' requirements. The IPP survey results and data will reside at DSCP in the Industrial Planning System (IPSYS) database and are available to the Services that have access to the IPP results and data through the Readiness Management Application (RMA). The IPP assessment data, which includes the Services' requirements, serves as the foundation for the wholesale readiness initiatives.

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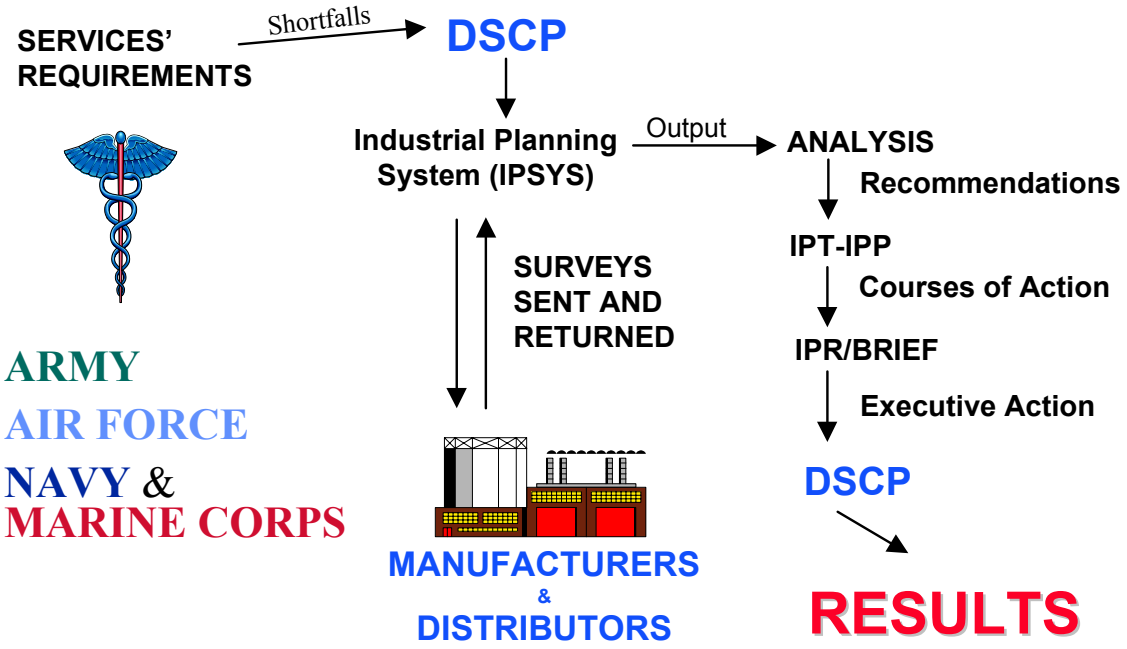
materiel which the Services do not have on-hand or on contract to meet their supporting requirements. These time phased "shortfalls" are then passed to DSCP and serve as the basis for conducting an IPP survey. The IPP requirement generation process is conducted bi-annually, a two-year cycle.

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In preparation for the 1999 Industrial Base Planning (IBP) survey iteration, the 1997 IBP database was manually expanded to include identical items with varying packaging sizes and similar items. This resulted in approximately 120,000 lines being identified as possible new sources of supply. For example, there are five companies which manufacture/distribute "widgets." "Widgets" come in ten different sizes. Each company's survey was expanded to include all ten sizes. Furthermore, items similar to the "widgets" were added to a company's survey. Additionally, Commercial Asset Visibility (CAV) data was examined and utilized to help identify additional sources of supply. The results of these two endeavors were the doubling of the size of the industrial base surveys in 1999.

As the manufacturers and distributors return the surveys to DSCP, their respective survey data is input into the IPSYS data bank. IPSYS then assesses the data and determines an IPP rating. Ratings are classified as either "Green" or "Red". What does the rating classifications mean to the Services? In short, a "Green" rating indicates that the wholesale level of medical materiel support in conjunction with the industrial base can meet the Services' IPP shortfall requirements. Conversely, a "Red" rating indicates that the industrial base can not meet the Services' IPP shortfall in one or more of the time phased periods. In conjunction with the Services, resolution of these "Red" items becomes our main concern, though we continue to monitor the industrial base for changes.

The IPP process survey results are reviewed by the Integrated Medical Logistics Group (IMLG) sponsored Integrated Process Team for Industrial Preparedness Planning (IPT-IPP). IPT-IPP membership consists of DSCP (Chairperson), Service Medical Logistics Offices, Joint Readiness Clinical Advisory Board (JRCAB), Office of the Assistant Secretary of Defense for Health Affairs and DLA HQ. The IPT-IPP is empowered to examine the IPP process along with reviewing the suggested rating and to determine, as a group, alternative courses of action to resolve "Red" items. Examples of alternative courses of action are:

- Finding alternate or substitute items that are more readily commercially supportable.
- Develop or expand an acquisition strategy to resolve industrial shortcoming, i.e., buy finished goods, pre-stage or buy raw materiel and components to shorten production lead-times, and other courses of action to fill the industrial gap until production can ramp up to meet the Services' requirements.

The Joint Readiness Clinical Advisory Board and the Services play a major role in resolving these "Red" items. Once a course of action is determined, DSCP is then tasked to execute the agreed upon actions, pending available funding.

It is anticipated that the Services will provide their 2001 time-phased requirements in October 2001. DSCP IPP personnel will survey the industrial base starting in December 2001, with a Final Report of the survey results being published in December 2002.

The following chart provides a comparison of the last three industrial base surveys:

## * COLORSTAT

| | 1995 | | 1997 | | 1999 | |
|---|---|---|---|---|---|---|
| | Qty | Pct | Qty | Pct | Qty | Pct |
| **Green** | 430 | 27 | 5,458 | 62 | 7,552 | 83 |
| **Yellow** | 261 | 16 | 318 | 4 | 271 | 3 |
| **Clear** | 791 | 49 | 1,263 | 14 | 408 | 5 |
| **Red** | 124 | 8 | 1,730 | 20 | 843 | 9 |
| Total NSNs Surveyed | 1,606 | 100 | 8,769 | 100 | 9,074 | 100 |

*COLORSTAT codes are used as an interim tool to help classify an NSN.

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**Yellow** indicates that the medical industrial base can only meet some of the requirements, but there are still surveys in the field that have not yet been returned. The NSN has the potential of turning Green.

**Clear** indicates that the medical industrial base has not returned any survey(s) at this time in order for DSCP to formulate a readiness position.

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| Participants | UNKNOWN | | 1,501 | 88 | 1,132 | 91 |
| Non-Participants | UNKNOWN | | 204 | 12 | 110 | 9 |
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* The number of industrial base firms surveyed. Non-participants were those companies that have not replied to our survey requests.

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* A line represents one NSN in a specific survey. A survey can contain many NSNs. An NSN may be included in several different surveys.

## Tracking

| | 1995 | 1997 | 1999 |
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| **Phone Calls** | UNKNOWN | UNKNOWN | 3,430 |
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Tracking capability was a feature added to IPSYS for the 1999 IPP iteration. Follow-up letters were automatically generated to assist the IP Specialist in obtaining completed surveys. The number of lines a survey contained was one factor that dictated how many automated follow-up letters would be sent prior to the IP Specialist phoning the company. Future initiatives include automated Fax follow-up letters and automated E-mail follow-up letters.

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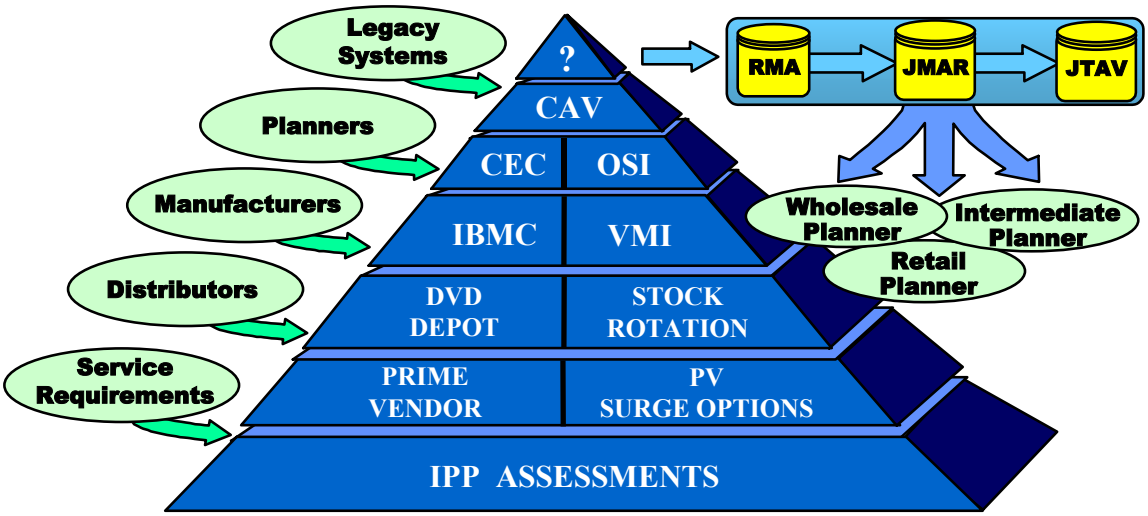
# WHOLESALE MEDICAL LOGISTICS READINESS PLAN

## TABLE of CONTENTS

# OVERVIEW

**DSCP Medical Directorate** continues to develop readiness acquisition and support strategies to meet today's logistics challenges, while moving forward to meet tomorrow's challenges. **Medical logistics at DSCP is not business as usual**. Our future support planning architecture is being guided by the challenges of tomorrow. "Focused Logistics" and "Velocity Management" support philosophies as described in Joint Vision 2020 and the Joint Medical Logistics 2020 (JML 2020) doctrines are those challenges. DSCP is actively working the readiness concept by continuing to reengineer current processes. In 1999, Vice President Gore recognized the Medical Readiness and Customer Support Business Unit by awarding the Hammer Award for reinventing readiness support and instituting new business practices into the government support process. The Medical Directorate is always on the lookout for business opportunities with the goal of developing new and innovative partnerships with the healthcare industry, which will improve medical readiness support and reduce the Services' readiness costs.




"READINESS PYRAMID"

The revolutionary changes in joint military support operations and corresponding developments in Joint Health Service Support (JHSS), as well as recent changes in commercial business practices, have changed how DLA and DSCP plan to provide wholesale medical logistics support to the Services. These changes are explained in this DSCP **Wholesale Medical Logistics Readiness Plan (WMLRP).** The WMLRP is a comprehensive and iterative concept of various initiatives and **building block programs** which provide a continuum of acquisition and support options to meet today's and tomorrow's medical readiness challenges. The DSCP WMLRP outlines procedures

that DSCP is establishing to ensure that medical materiel is available to support the Services' plans to provide Joint Health Service Support in support of military operations in accordance with Joint Publication 4-02, Doctrine for Health Service Support in Joint Operations. The WMLRP explains programs that DSCP has adopted to help satisfy Service time phased shortfall requirements. A thorough review of the WMLRP will assist Service medical planners and logisticians as they plan to provide medical support for military contingency operations. The WMLRP will help you understand how the wholesale medical logistics support operates and will be there to meet your needs.

To that end the Readiness Plan is being built to provide "Customer Response and Combat Readiness." The objectives of the plan are to put in place contracts, business rules and agreements to rapidly acquire the full spectrum of medical supplies and equipment using a multitude of supply sources. This includes the maximum use of contractual access to commercial inventory vice the purchase of materiel. Another main objective of the plan is to utilize the same systems seamlessly during peace and war. A major goal of the plan is to support the Joint Total Asset Visibility (JTAV) program by providing the capability to trace and monitor materiel from the factory to the theater, under positive control, and through a highly visible and flexible distribution system. The vision is to develop a single overarching acquisition process, which will employ web-based technology, will be EDI driven and links DSCP, customers and suppliers. The vision embraces the use of commercial numbering, automated pricing, and automated sourcing of information to include commercial classifications for alternate and equivalent items.

Using inputs from various sources, from legacy systems, medical planners, domestic and foreign manufacturers and distributors, to Service Requirements both planned and unplanned, DSCP's medical readiness and support concept is built as a pyramid. Each block plays an important and specific role in meeting the Military Services' requirements. However, each block is not mutually exclusive as they support and complement each other in the overall Medical Readiness Plan.

- Industrial Preparedness Planning (IPP) Assessments are the pyramid's **foundation** to building readiness.
- The Prime Vendor, Prime Vendor Surge, Depot and Direct Vendor Delivery programs are the **cornerstones**.
- Stock Rotation, Vendor Managed Inventory (VMI), Corporate Exigency Contracts (CEC), Industrial Base Maintenance Contracts (IBMC), Overseas Support Initiative (OSI), and Commercial Asset Visibility (CAV) are the critical healthcare **industry partnership blocks**.
- The Readiness Management Application (RMA) serves as the **management application tool** that will allow DSCP Medical, the CinCs and the Military Services the ability to assess, via one database, the level of wholesale medical logistics support. Through the RMA, the Services and Medical Logistics Planners can visualize the total wholesale medical coverage available to meet their requirements.
- The Joint Medical Asset Repository (JMAR) and the Joint Total Asset Visibility (JTAV) repositories will contain the RMA **data and information**. Intransit Visibility (ITV) of medical items will also be made available. CINC planners and other DoD

users will be able to access the wholesale medical logistics information and ITV through the JTAV.

The **"?"** at the top of the readiness pyramid indicates that the building process is not complete. New and innovative ideas and partnerships are continuously being sought and developed. Current initiatives, such as the Medical Equipment Deferred Procurement Initiative, the expansion of the Overseas Support Initiative (OSI) for Intravenous (IV) Solutions, a Broad Coverage Contract for surge, and a Pharmaceutical Corporate Exigency Contract Program are discussed throughout the booklet.

Contractual access to commercial inventory and partnering with distributors and manufacturers, coupled with superior information technology, are key ingredients to building the readiness of the future.

As customers, whether you are a member of the military, of a support service, a distributor or a manufacturer, you are a major player in helping DSCP build its readiness wholesale support plan. Your input and suggestions are always welcome.

For more information contact:

**LTC Kelvin Owens (DSCP-MR)**

**Defense Supply Center Philadelphia**
**700 Robbins Avenue**
**Philadelphia, PA 19111-5096**

**Comm: (215)-737-8023**
**DSN: 444-8023**
**E-mail: kowens@dscp.dla.mil**

Each of the readiness building blocks and their relationship to the overall wholesale readiness concept is explained in greater detail on the following pages. The last two pages of this booklet are one-page summaries, which can be removed as a quick reference on the DSCP Readiness Program and the RMA Program. We hope this publication is helpful in providing you a better understanding of how wholesale medical readiness will be there when you need it.

ONE TEAM...ONE FOCUS
AROUND THE CLOCK, AROUND THE WORLD

# IPP ASSESSMENTS

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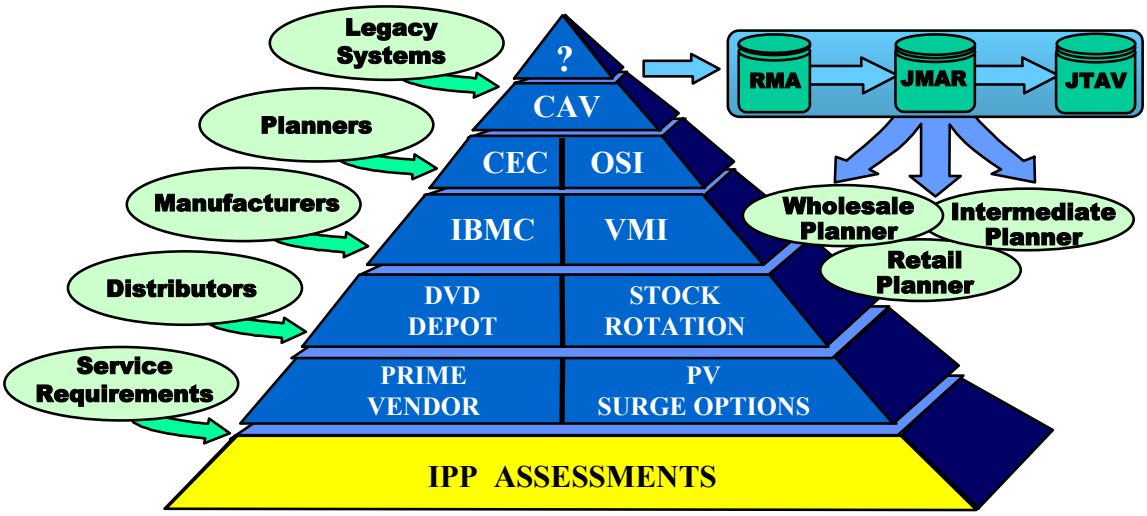


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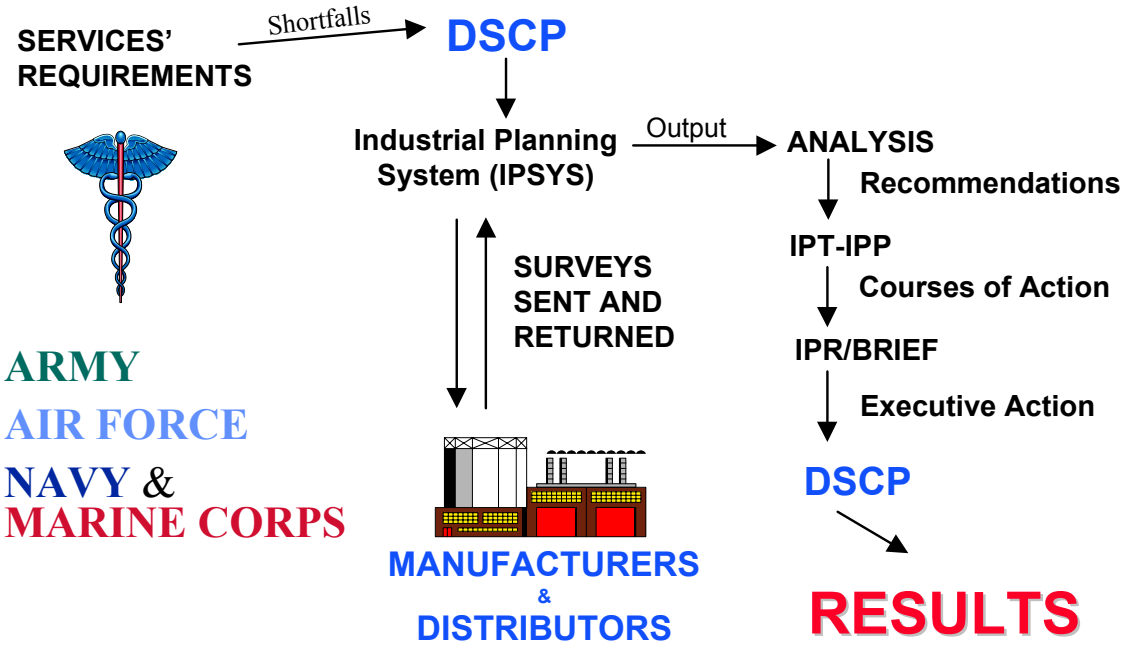


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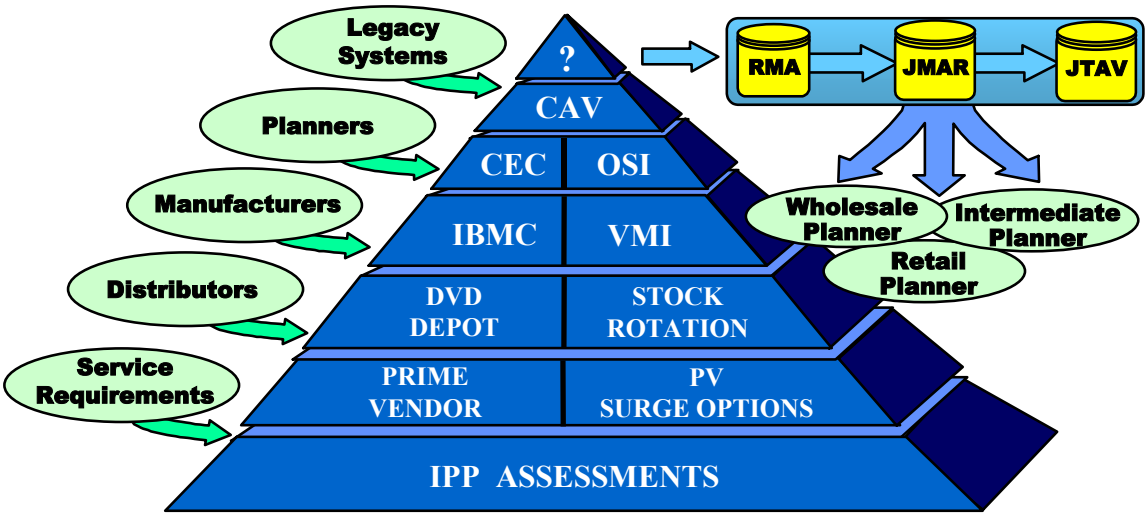


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users will be able to access the wholesale medical logistics information and ITV through the JTAV.

The **"?"** at the top of the readiness pyramid indicates that the building process is not complete. New and innovative ideas and partnerships are continuously being sought and developed. Current initiatives, such as the Medical Equipment Deferred Procurement Initiative, the expansion of the Overseas Support Initiative (OSI) for Intravenous (IV) Solutions, a Broad Coverage Contract for surge, and a Pharmaceutical Corporate Exigency Contract Program are discussed throughout the booklet.

Contractual access to commercial inventory and partnering with distributors and manufacturers, coupled with superior information technology, are key ingredients to building the readiness of the future.

As customers, whether you are a member of the military, of a support service, a distributor or a manufacturer, you are a major player in helping DSCP build its readiness wholesale support plan. Your input and suggestions are always welcome.

For more information contact:

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Each of the readiness building blocks and their relationship to the overall wholesale readiness concept is explained in greater detail on the following pages. The last two pages of this booklet are one-page summaries, which can be removed as a quick reference on the DSCP Readiness Program and the RMA Program. We hope this publication is helpful in providing you a better understanding of how wholesale medical readiness will be there when you need it.

ONE TEAM...ONE FOCUS
AROUND THE CLOCK, AROUND THE WORLD

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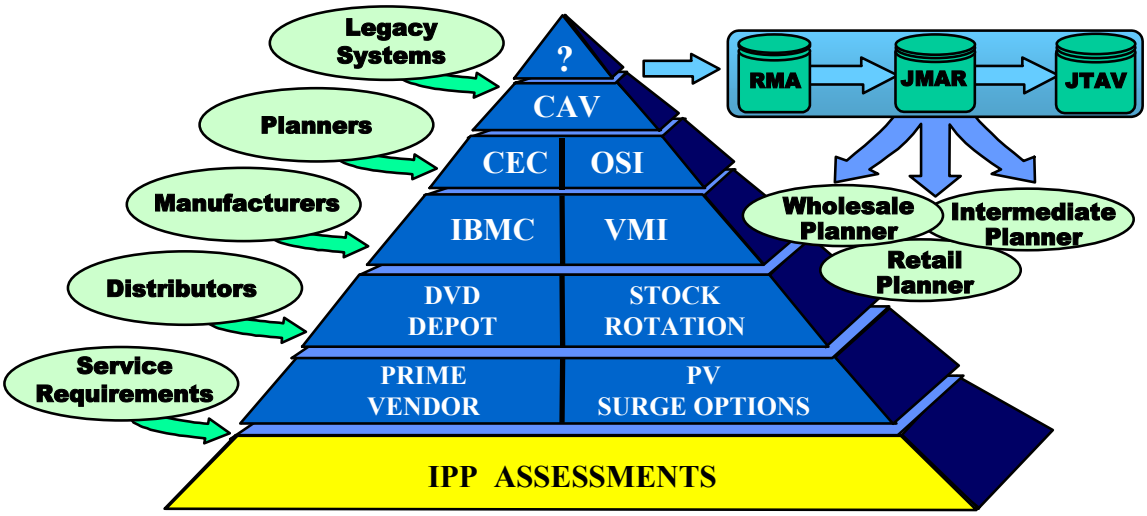
# IPP ASSESSMENTS

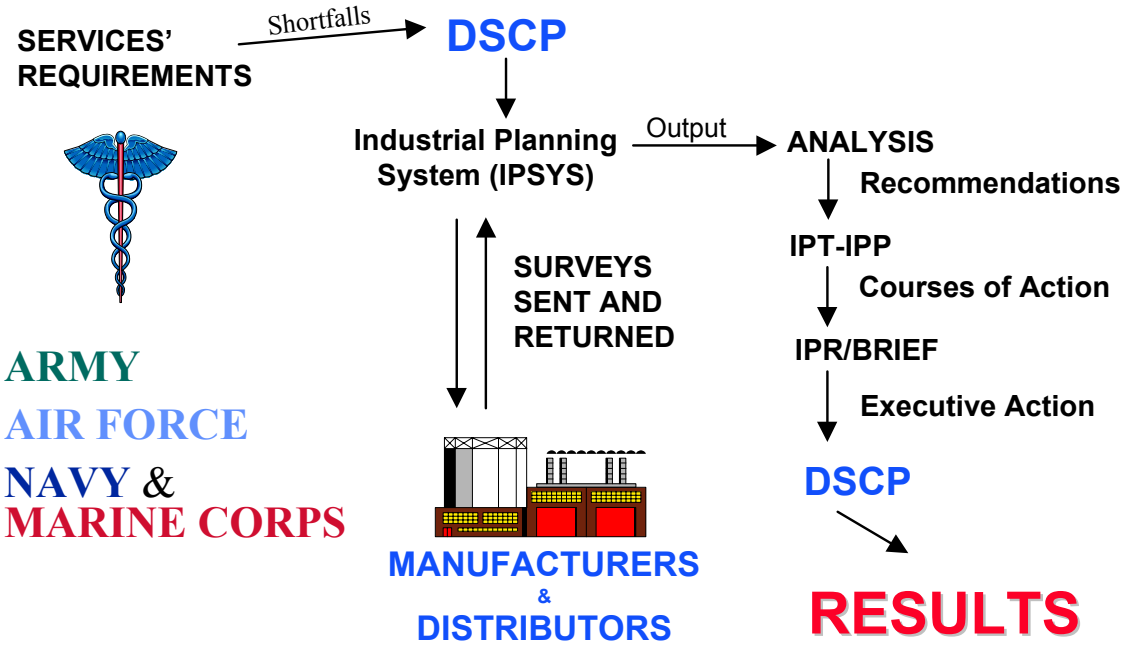
The foundation for medical readiness planning at the wholesale level is the Industrial Preparedness Planning (IPP) assessment. The IPP assessment is a collaborative effort between DSCP Medical, the Services and the healthcare industry. DSCP Medical Directorate conducts the IPP survey and manages the program. The goal of the IPP process is to assess the industrial capabilities of manufacturers and distributors to provide materiel to meet the time phased mobilization and sustainment requirements of the Services. Proper IPP assessment allows both DSCP and the Services the ability to plan and assess the wholesale medical readiness posture.

Once the Services' time phased requirements are provided to DSCP, DSCP passes the requirements to the healthcare industry via an IPP survey sheet. After the surveys are sent to the manufacturers and distributors, the manufacturers and distributors voluntarily provide time phased production data against the Services' requirements. The IPP survey results and data will reside at DSCP in the Industrial Planning System (IPSYS) database and are available to the Services that have access to the IPP results and data through the Readiness Management Application (RMA). The IPP assessment data, which includes the Services' requirements, serves as the foundation for the wholesale readiness initiatives.




The IPP process begins with the Joint Staff, J-4, and the Defense Logistics Agency (DLA) requesting the Services to provide their "shortfall" requirements to DSCP. The Services, using the latest Defense Planning Guidance (DPG), determine their respective time phased medical requirements. Next, the Services evaluate their own capabilities and determine their materiel "shortfalls". "Shortfalls" represent medical

materiel which the Services do not have on-hand or on contract to meet their supporting requirements. These time phased "shortfalls" are then passed to DSCP and serve as the basis for conducting an IPP survey. The IPP requirement generation process is conducted bi-annually, a two-year cycle.




Upon receipt of the Services' shortfalls, DSCP begins the IPP process by compiling a database of manufacturers and major distributors. The Services' shortfalls are entered into the Industrial Planning System (IPSYS) in which surveys are generated and mailed to the manufacturers and distributors for completion. The manufacturers' and distributors' returned surveys, with annotated production and support data, are then entered into IPSYS for analysis. If requested by a manufacturer or distributor, or if a returned survey data warrants further industrial assessment, DSCP personnel will conduct site visits to assist in obtaining accurate survey data.

In preparation for the 1999 Industrial Base Planning (IBP) survey iteration, the 1997 IBP database was manually expanded to include identical items with varying packaging sizes and similar items. This resulted in approximately 120,000 lines being identified as possible new sources of supply. For example, there are five companies which manufacture/distribute "widgets." "Widgets" come in ten different sizes. Each company's survey was expanded to include all ten sizes. Furthermore, items similar to the "widgets" were added to a company's survey. Additionally, Commercial Asset Visibility (CAV) data was examined and utilized to help identify additional sources of supply. The results of these two endeavors were the doubling of the size of the industrial base surveys in 1999.

As the manufacturers and distributors return the surveys to DSCP, their respective survey data is input into the IPSYS data bank. IPSYS then assesses the data and determines an IPP rating. Ratings are classified as either "Green" or "Red". What does the rating classifications mean to the Services? In short, a "Green" rating indicates that the wholesale level of medical materiel support in conjunction with the industrial base can meet the Services' IPP shortfall requirements. Conversely, a "Red" rating indicates that the industrial base can not meet the Services' IPP shortfall in one or more of the time phased periods. In conjunction with the Services, resolution of these "Red" items becomes our main concern, though we continue to monitor the industrial base for changes.

The IPP process survey results are reviewed by the Integrated Medical Logistics Group (IMLG) sponsored Integrated Process Team for Industrial Preparedness Planning (IPT-IPP). IPT-IPP membership consists of DSCP (Chairperson), Service Medical Logistics Offices, Joint Readiness Clinical Advisory Board (JRCAB), Office of the Assistant Secretary of Defense for Health Affairs and DLA HQ. The IPT-IPP is empowered to examine the IPP process along with reviewing the suggested rating and to determine, as a group, alternative courses of action to resolve "Red" items. Examples of alternative courses of action are:

- Finding alternate or substitute items that are more readily commercially supportable.
- Develop or expand an acquisition strategy to resolve industrial shortcoming, i.e., buy finished goods, pre-stage or buy raw materiel and components to shorten production lead-times, and other courses of action to fill the industrial gap until production can ramp up to meet the Services' requirements.

The Joint Readiness Clinical Advisory Board and the Services play a major role in resolving these "Red" items. Once a course of action is determined, DSCP is then tasked to execute the agreed upon actions, pending available funding.

It is anticipated that the Services will provide their 2001 time-phased requirements in October 2001. DSCP IPP personnel will survey the industrial base starting in December 2001, with a Final Report of the survey results being published in December 2002.

The following chart provides a comparison of the last three industrial base surveys:

## * COLORSTAT

| | 1995 | | 1997 | | 1999 | |
|---|---|---|---|---|---|---|
| | Qty | Pct | Qty | Pct | Qty | Pct |
| **Green** | 430 | 27 | 5,458 | 62 | 7,552 | 83 |
| **Yellow** | 261 | 16 | 318 | 4 | 271 | 3 |
| **Clear** | 791 | 49 | 1,263 | 14 | 408 | 5 |
| **Red** | 124 | 8 | 1,730 | 20 | 843 | 9 |
| Total NSNs Surveyed | 1,606 | 100 | 8,769 | 100 | 9,074 | 100 |

*COLORSTAT codes are used as an interim tool to help classify an NSN.

**Green** indicates that all of the Service's Go To War shortfall requirements can be met by the medical industrial base.

**Yellow** indicates that the medical industrial base can only meet some of the requirements, but there are still surveys in the field that have not yet been returned. The NSN has the potential of turning Green.

**Clear** indicates that the medical industrial base has not returned any survey(s) at this time in order for DSCP to formulate a readiness position.

**Red** indicates that the industrial base can not meet the Services' IPP shortfall in one or more of the time phased periods.

## Survey Status*

| | 1995 | | 1997 | | 1999 | |
|---|---|---|---|---|---|---|
| | Qty | Pct | Qty | Pct | Qty | Pct |
| Participants | UNKNOWN | | 1,501 | 88 | 1,132 | 91 |
| Non-Participants | UNKNOWN | | 204 | 12 | 110 | 9 |
| **Total Firms** | UNKNOWN | | 1,705 | 100 | 1242 | 100 |

* The number of industrial base firms surveyed. Non-participants were those companies that have not replied to our survey requests.

## Line Status*

| | 1995 | | 1997 | | 1999 | |
|---|---|---|---|---|---|---|
| | Qty | Pct | Qty | Pct | Qty | Pct |
| Participants | UNKNOWN | | 22,776 | 78 | 47,214 | 84 |
| Non-Participants | UNKNOWN | | 6,588 | 22 | 9,268 | 16 |
| **Total Lines** | UNKNOWN | | 29,354 | 100 | 56,482 | 100 |

* A line represents one NSN in a specific survey. A survey can contain many NSNs. An NSN may be included in several different surveys.

## Tracking

| | 1995 | 1997 | 1999 |
|---|---|---|---|
| **Phone Calls** | UNKNOWN | UNKNOWN | 3,430 |
| **Letters** | UNKNOWN | UNKNOWN | 1,968 |

Tracking capability was a feature added to IPSYS for the 1999 IPP iteration. Follow-up letters were automatically generated to assist the IP Specialist in obtaining completed surveys. The number of lines a survey contained was one factor that dictated how many automated follow-up letters would be sent prior to the IP Specialist phoning the company. Future initiatives include automated Fax follow-up letters and automated E-mail follow-up letters.

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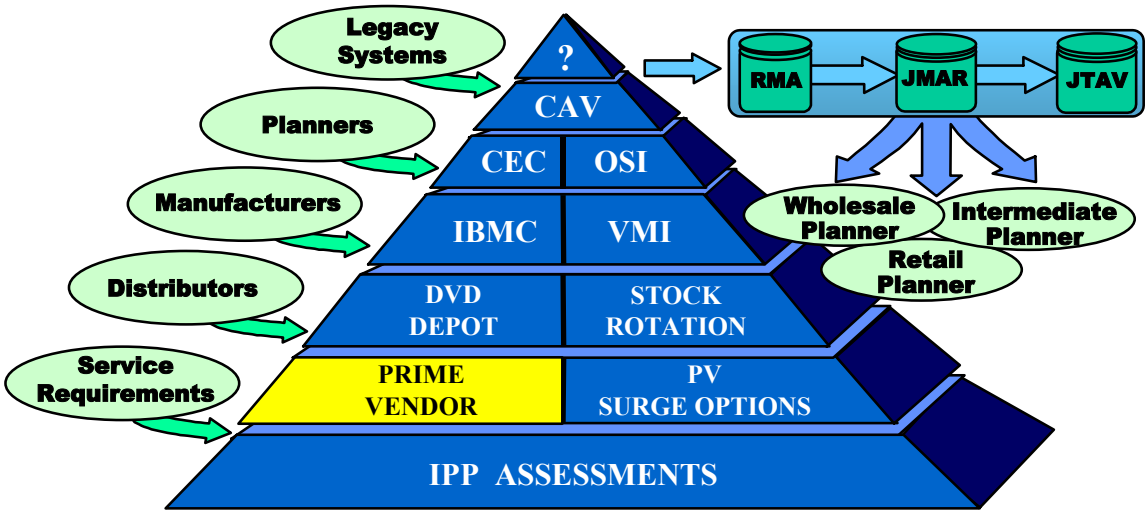
# PRIME VENDOR

The Prime Vendor (PV) Program provides participating facilities with a "prime" supplier or distributor for a commodity line and is a key component of peacetime medical logistics support. However, while this program primarily supports peacetime operations, it is also a **significant piece of the foundation** for DSCP's medical readiness strategy. PV sales gives us the leverage to support critical readiness requirements such as Prime Vendor Surge Options and Commercial Asset Visibility (CAV) data. Because PV provides material at lower costs, it also helps to spread our limited readiness dollars as we purchase materiel to fill our sets, kits and outfits (SKOs). PV has additionally provided support at the lower end of the intensity spectrum for initial outfitting and support during contingency operations, military operations other than war and military exercises.

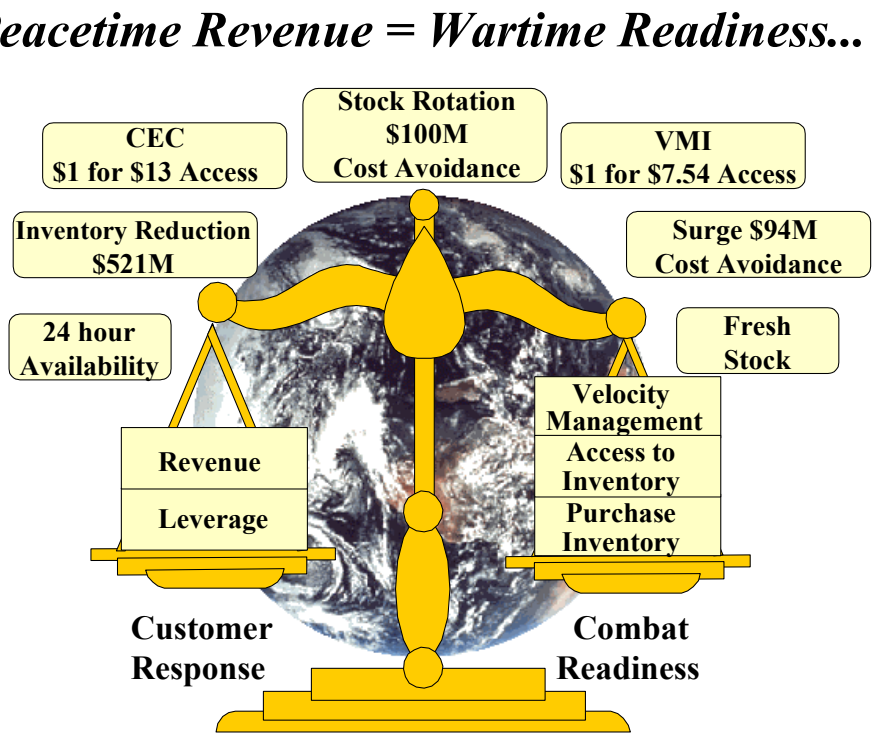
A solid peacetime business base is essential to ensure responsive customer support and wartime readiness. The leverage which the Prime Vendor business gives to the support of the Readiness Programs can not be understated.




The Prime Vendor program provides for a single distributor of commercial brand name specific and generic medical supplies to support a group of hospitals or activities within a geographic region. A PV is a business entity that functions as a purchaser's primary source for specific products. A PV is responsible for the delivery of goods produced by various suppliers to the customer upon order. Recent solicitations and awards in the PV Program have also established a Secondary Prime Vendor (SPV) to back up and support the Primary Prime Vendor (PPV).

There are currently 16 Pharmaceutical regions (includes the Fleet Prime Vendor) supported by 5 different Prime Vendors. The CONUS pharmaceutical Prime Vendor provides facilities that are providing access to a wide range of commercial items and guarantees delivery on the next business day.

The Medical Surgical Prime Vendor (PV) Program covers 12 U.S. Tricare Regions plus the U.S. European Command (EUCOM), the U.S. Southern Command (SOUTHCOM), the U.S. Pacific Command (PACOM) to include Alaska and Hawaii, the U.S. Joint Forces Command (JFCOM), and the U.S. Central Command (CENTCOM). Two Medical Surgical Prime Vendors received awards for primary distribution service. Each Tricare Region and U.S. Command selects one of these Prime Vendors for its support. The contracts include Service specific pre-planned level of medical logistics support requirements necessary to support mobilizing units for a military or humanitarian contingency. Each contract details the identified Service Program items covered by quantity and DAPA. Each PV offers Service Program access to the designated surge materiel for a twenty month period at a stipulated cost. To establish this coverage, the Services elect surge coverage for their respective Program by executing payment of the stipulated coverage cost to one of the Prime Vendors.



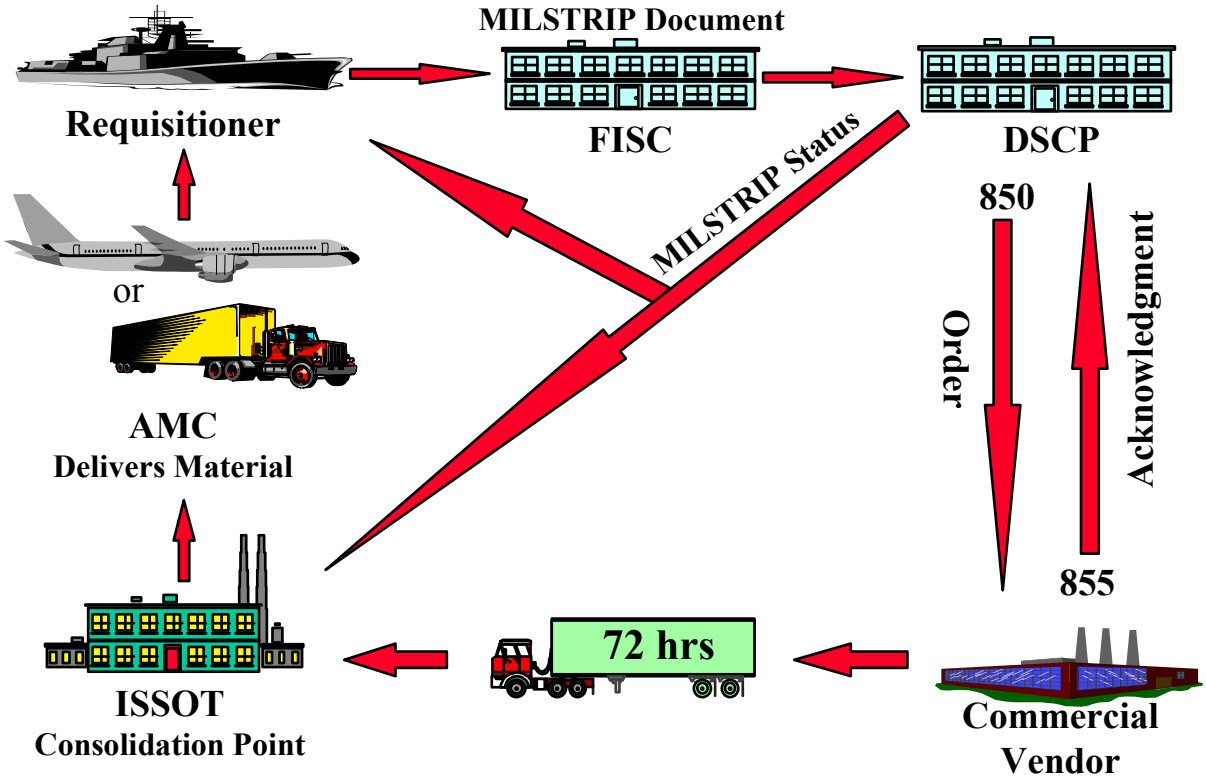
DSCP's Distribution and Pricing Agreements (DAPAs) with manufacturers and regional DAPAs with distributors support the PV program by providing preferred customer pricing and a wide range of choices. In addition to the DAPAs, the prime vendor program utilizes products and prices that appear on DSCP National Contracts as well as Federal Supply Schedules and National Contracts issued by the Department of Veterans Affairs. Pharmaceutical customers may choose from over 22,800 items and Medical/Surgical customers may choose from over 190,000 items. Within hours, the customer can have his order confirmed by their PV through electronic ordering.

As an added benefit, Reports of Discrepancies are worked or coordinated directly with the PV providing a faster and mutual resolution.

In the Medical Surgical Prime Vendor arena, DSCP-Medical expanded product supportability to non-DAPA products by implementing the Alternate Commercial Product Ordering Program (ACPOP) with its two Prime Vendors, Owens and Minor and Allegiance. ACPOP offers our medical surgical customers an opportunity to order products that are not covered by a DAPA but are offered through the PV's commercial inventory. The products may be designated as usage or non-usage data items. Customers supported by DMLSS can place their orders through their legacy system.

In support of the Navy, Fleet Prime Vendor contracts were awarded to Bindley Western Industries for Pharmaceuticals and to American Medical Depot for Medical and Surgical supplies. The contracts cover support for the fleet, as well as contingency support for the hospital ships, USNS Comfort and USNS Mercy. The contract differs slightly from our other Prime Vendor contracts in that there is no direct input of any order from the customer into the PV's order entry system. The individual fleet units continue to process normal MILSTRIP requisitions using a National Stock Number (NSN) through the Fleet and Industrial Supply Center (FISC). Up to this point it is business as usual for the Navy units using both the Pharmaceutical and Med/Surg Prime Vendors. The NSN MILSTRIP requisition is submitted to DSCP and DSCP, after editing, transmits an electronic order to the Prime Vendor. The Prime Vendor confirms the customer order within 6 hours after receiving the electronic order from DSCP. DSCP transmits the MILSTIP status to the customer. The Prime Vendor has 72 hours to have the materiel at the Inter-Service Supply Support Operations Team (ISSOT) consolidation point. The consolidation point marks and repackages the materiel in accordance with Navy specifications for further transshipping. The following diagram depicts the Pharmaceutical and Medical/Surgical Fleet Prime Vendor process.

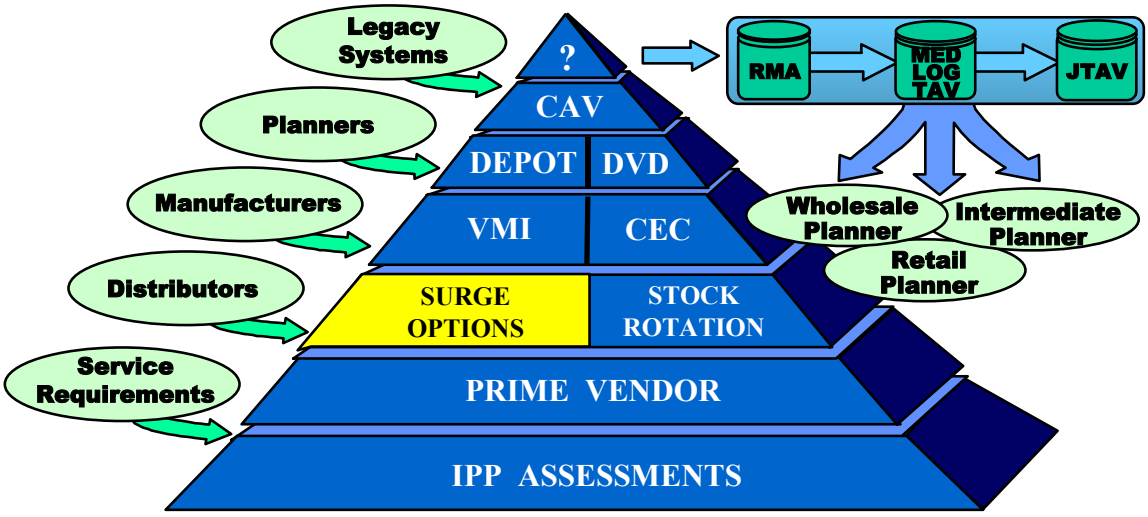
# Fleet Prime Vendor Process




It is important to note that the PV program was developed for peacetime and is not structured to directly satisfy large surge or deployment requirements. DSCP Medical has other strategies for these readiness components. The Prime Vendor Surge building block was specifically designed to enhance the surge capability of mobilizing and deploying units. The Vendor Managed Inventory (VMI) program is also becoming a major source of supply for Services' deployers to rely on for initial support. Keep reading!

# PRIME VENDOR SURGE OPTIONS

Prime Vendor Surge Options is designed to help units or organizations within a Prime Vendor Region obtain those pharmaceutical and medical/surgical items to round-out their assemblages on shelf-life materiel. The intent of the program is to provide coverage for the Services' surge requirements by leveraging Prime Vendor peacetime contracts. The surge items are tailored by region with the intent to get specific Services' units 'out the door' in time of conflict. The strategy is to buy response vice inventory and is a DSCP Medical Directorate initiated readiness support concept. The Services' specific medical requirements, by region, are incorporated into peacetime Prime Vendor (PV) contracts via surge option clauses and by adding tailored line item detail for pharmaceutical and medical/surgical materiel. The intent of the tailored surge options is twofold. First intent is to have the regional Prime Vendor prepared to provide a specific pre-planned level of essential logistics support necessary to round-out unit assemblages when an activity is mobilized or deploying. The second intent is to facilitate the military unit in planning for their coverage and to provide a contractual vehicle to acquire the material expeditiously when required.




One of the goals of the Prime Vendor Surge Options program is for the Mobilization units to partner with the Prime Vendor to ensure their essential materiel needs are understood and covered. It is essential that the units' contact their regional Prime Vendor and open a dialog with the Prime Vendor on this coverage. By working

together, the PV is better prepared to serve the unit and the unit has a level of assurance that the materiel will be available in a timely manner saving readiness dollars. PV Surge Options are not intended for use in sustainment, but do fill that void in assisting deploying units in the management of their respective assemblages, specifically in potency dated materiel. Effective materiel management and communications between the regional PV and the potentially deploying units can significantly reduce readiness costs, while maintaining a high state of materiel and assemblage availability. In addition, effective utilization of the Prime Vendor Surge clause by the units will reduce their maintenance of shelf-life materiel. The PV surge concept normally limits the PV to be responsible for providing materiel for early deploying units. Deployed units will generally receive re-supply and sustainment support based on CinC OPLAN.

As the opportunity presents itself, CONUS and OCONUS pharmaceutical PV contracts are modified to include tailored Army and Air Force requirements. The Pharmaceutical Fleet Prime Vendor contract provides surge support for the Navy hospital ships USNS Comfort and USNS Mercy. The PV contracts for TRICARE Regions 1, 2, 3, 4, 5, 6, 7/8, 9, 10, 11, 12, currently contain surge requirements for the Army and Air Force. The new pharmaceutical PV contract for Europe, which will be awarded in 2001 will also include surge options for the Army and Air Force. Also, TRICARE Region 1, which is being resolicited to include those facilities in the National Capital area, will include Army and Air Force surge requirements. In addition to Army and Air Force requirements, TRICARE Regions 2 and 9 also contains Marine Corps surge requirements.

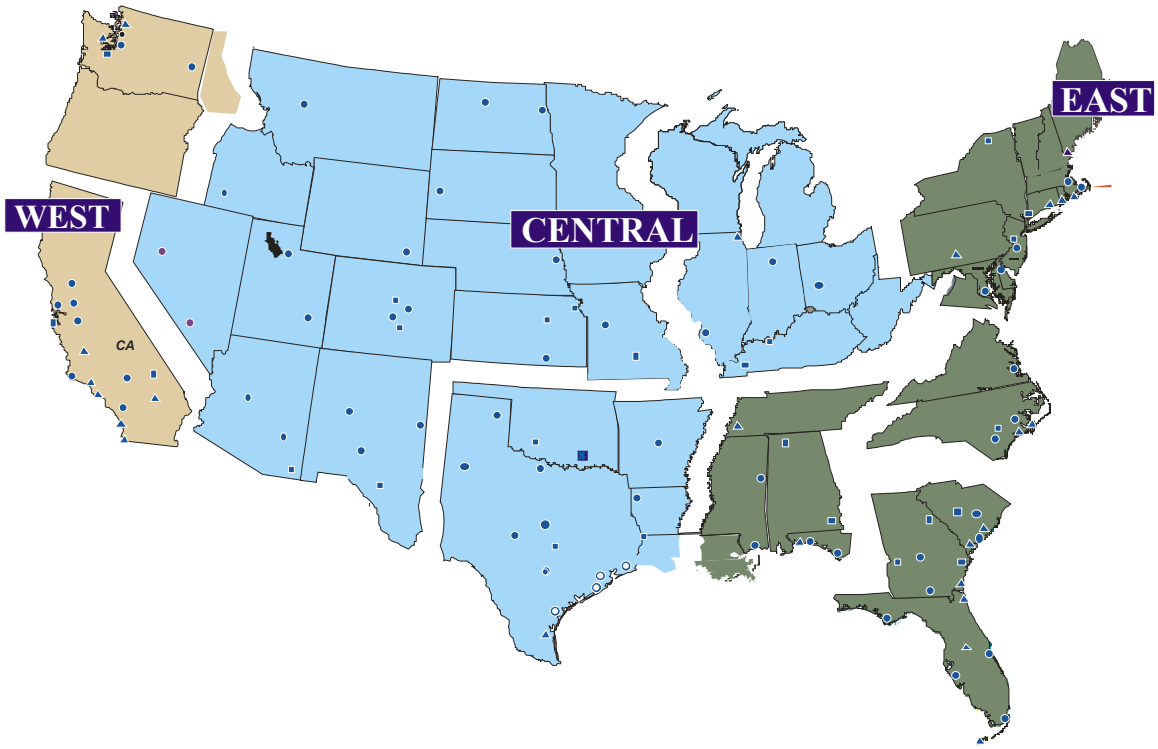
The Medical Surgical Prime Vendor program is broken down into three geographical areas: East, Central and West. The East contains TRICARE Regions 1, 2, 3, 4, EUCOM, SOUTHCOM, and JFCOM activities. The Central area contains TRICARE Regions 5, 6, 7/8 and CENTCOM. The West includes TRICARE Regions 9, 10, 11, and PACOM, which also includes Alaska and Hawaii. Two Prime Vendor contracts were awarded to each area, East, Central and West. The two Prime Vendors are Owens & Minor Inc. and Allegiance Healthcare Inc. In the recently awarded medical surgical Prime Vendor contracts the surge options are separately priced by the region Prime Vendors. The surge clause for each contract states that the agreed to DAPA items and quantities must be available within 72 hours after receipt of a routine order, 8 hours for Air Expeditionary Forces and 24 hours for all other Service urgent requirements. The Prime Vendor contractors have 14 days to replace any materiel drawdown by the Services. Units should contact their respective Prime Vendor ordering facility to determine the surge provisions specifics regarding their Prime Vendor contract. The Services' select which Prime Vendor they want to provide their surge option support by funding the surge option in that Prime Vendor's contract.

The agencies responsible for the Services' medical surgical surge Statement of Work and funding are:

- Army - United States Army Medical Materiel Agency
- Air Force - Air Force Medical Logistics Office
- Navy & Marine Corps - Navy Medical Logistics Command

The geographical areas are depicted in the below figure and are color coded to reflect which area is responsible for OCONUS coverage. For example the East (green) covers EUCOM, JFCOM and SOUTHCOM; Central (blue) covers CENTCOM; and West (brown) covers PACOM.

**REGIONAL CONTRACTS**

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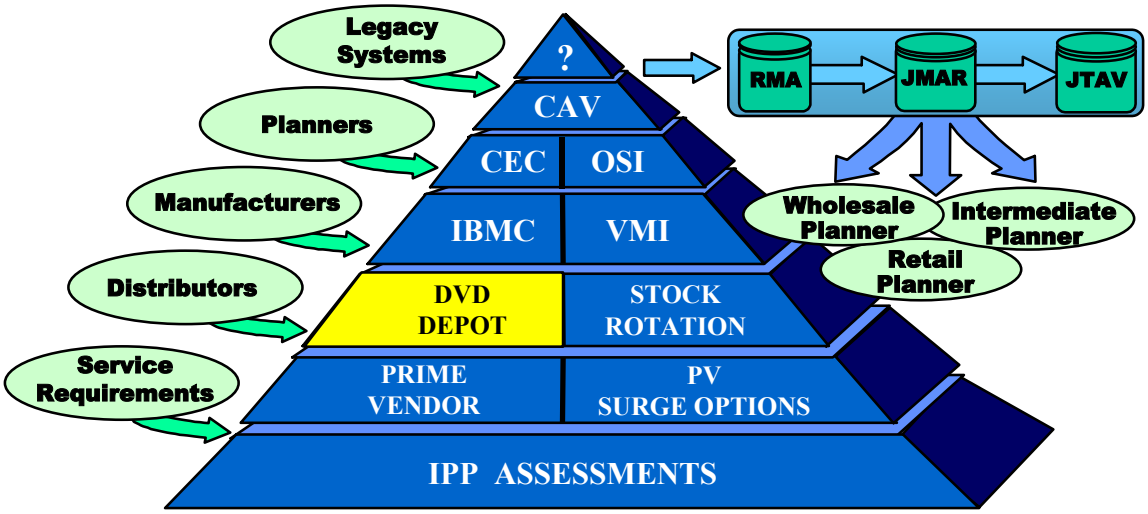
# DEPOT SYSTEM

## DIRECT VENDOR DELIVERY (DVD)

The DLA Depot System includes the stocking and warehousing of National Stock Number line items, a Consolidated Containerization Point, and distribution linkage with commercial and military distribution channels. The Depot System remains a critical component of the medical readiness logistics support plan and provides a **vital cornerstone** in the DSCP medical logistics support concept. The depot system is a critical logistical lifeline and link to the distribution network and serves as a means for DSCP to provide overall readiness support to any customer or theater anywhere in the world.




Direct Vendor Delivery (DVD) is defined as sales to customers, which do not go through the Depot System, but go directly from the vendor to the customer. Although DVD procurements are normally a manual and manpower intensive system, DSCP has automated some of the processes and are continuing to reengineer and streamline where possible.

SPEDE (SAMMS Procurement by Electronic Data Exchange) is an electronic procurement tool that resources and processes customer DVD requisitions whenever the customer's requirement matches a known vendor source that is on line with DSCP. SPEDE is an Electronic Data Interchange (EDI) application used for procurement of consumable products by our medical facilities worldwide. SPEDE can electronically

solicit, evaluate and award. SPEDE also has electronic invoicing. There are over 150 vendors actively on line. Procurements can be made up to $25,000 per order.

Other methods used at DSCP to support customer requests and provide Direct Vendor Delivery support are Electronic Catalog (ECAT) and Electronic Procurement Program Initiative (EPPI). These additional processes are discussed in further detail in the chapter titled "Initiatives". Under ECAT, customers go on-line via the WEB at http://dscp305.dscp.dla.mil/dmmonline/orderproducts/ecatmain.asp. At the WEB site the customer may order products directly via a shopping cart approach. Customers may also continue to submit MILSTRIP requisitions using National Stock Numbers for products supported by the Vendor Managed Inventory contracts and Corporate Exigency Contracts, which are processed through EPPI producing an EDI transaction sent to the supporting contractor.

Since DSCP Medical began focusing on commercial distribution channels, depot operations have realized significant improvements in smoother operations and reductions in overhead. Since 1991, DSCP Medical has been able to reduce the number of stocked items by more than 80%. To date only 6,336 NSN items remain in the depot at an inventory value of $146 million. The vast majority of the NSN reductions have been in Pharmaceuticals.

None the less, the Depot System remains a key part of readiness planning in numerous areas. The depot system continues to:

- provide access to the distribution network for transportation to include theater interface
- act as a Consolidated Containerization Point (CCP)
- provide an interface with customer ADP systems (MILSTRIP compliant)
- support our medical assembly build program, from first aid kits to hospital modules

The depot system also provides storage for those pharmaceuticals, medical materiel, and equipment product lines still maintained in the depot as inventory for a variety of reasons. Examples include:

- military unique items, such as nerve agent antidote kits
- items with limited commercial rotation base, such as vaccines
- scheduled drugs and controlled substances, such as narcotics
- competitively priced items which are purchased in bulk quantities
- medical/surgical items for fleet support
- items not currently in the PV or ECAT programs, or until other support programs are on-line
- long lead items, such as stokes litters
- hazardous items, such as medical gases
- weapon system items, such as first aid kits for aircraft

Over 40% of the items still maintained in the depot inventory have a War Reserve requirement designation.

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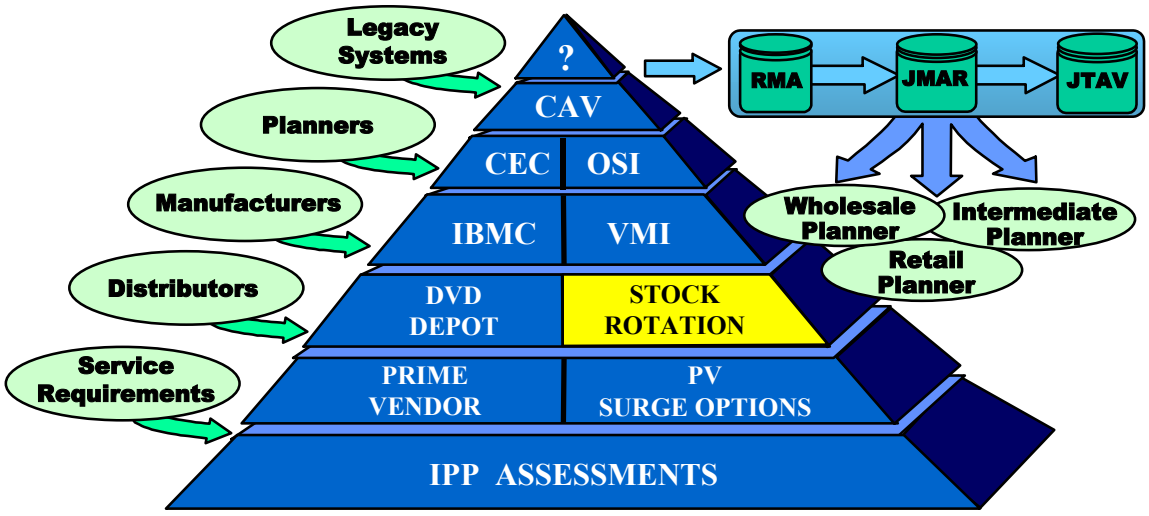
# STOCK ROTATION

The Stock Rotation program is another effective tool in the readiness arsenal used to cover shortages of critical line items. In this building block program, DSCP Medical **purchases materiel from a manufacturer**, which is then stored at the manufacturers' facility and **rotated with their commercial customer base**. These contracts are usually established as long term agreements with the manufacturers, 10 years. The rotation of the DSCP owned materiel ensures freshness and maximum shelf life when and if the materiel is required to support a customer. The Medical Directorate utilizes Defense Logistics Agency provided Warstopper funds to procure the materiel and Medical Stock Fund dollars to pay the rotational fees charged by the manufacturer. Although most of our current contracts have utilized DLA provided funds for the materiel purchases, there is no restriction in the program to preclude using Services' funds. The Army, in FY97, invested over $1.5 million on stock rotation items covering lab reagents, x-ray film, narcotics, and other items. As of the end of FY00, DLA and the Services have invested over $21.7 million in this program, which covers 87 line items. Traditionally, stock rotation contracts were only awarded to manufacturers. In FY 97 DSCP awarded two pharmaceutical items to a distributor, Bindley Western Industries, to increase DSCP coverage on Diazepam and Heparin Injections. Awarding stock rotation contracts to distributors generally happens only when the manufacturer will not enter into a long-term contract directly with DSCP.



The purpose of the stock rotation program is to provide critical mobilization items to the Services for re-supply and sustainment support. The Stock Rotation program is not intended to support surge requirements. It is a program that, along with other initiatives, works to bridge the gap between the depletion of surge stock and the ramp up of the industrial base.

The current Stock Rotation program involves developing a contractual arrangement with a manufacturer or distributor whereby the Government purchases a quantity of materiel which is stored and rotated at the contractor's facility for use by the Government in support of contingency operations. Under the stock rotation concept, the contractor maintains the contractual level of inventory, which is rotated with the manufacturer's commercial materiel to maintain guaranteed freshness and viability at all times. This program decreases obsolescence of materiel and reduces the Government's disposal and repurchases costs. As stated before, distributors who have the rotational capability for an item are also being considered for participation in the program.

The term of the contracts is normally for ten years. Each has a five year base period with an option for an additional five years. Storage/rotation fees are paid on a yearly basis. A sampling of the items presently under contract are:

| | | |
|---|---|---|
| Meperidine | Sulfadiazine | Heparin |
| Ceftriaxone | Rabies Vaccine | Chloroquine |
| Primaquine | Mefloquine | Ciprofloxacin |
| Cefazolin | Ampicillin | Hetastarch |
| Mannitol | Clindamycin (6ml) | Dexamethasone |
| Lidocaine | Clindamycin (4ml) | Promethazine |
| Phenobarbital | Fluorescein | Gentamicin |
| Diazepam | Sodium Thiopental | |

Each year, DLA programs a nominal amount of money dedicated to support the DSCP readiness programs. Using the Industrial Preparedness Planning program as the basis for item selection, DSCP chooses an array of candidate items with a "red" rating and submits this list to the Services for coordination. The candidate items are selected by DSCP on the basis of criticality, non-availability (or not available in the quantity or time frame needed), rotatability and Service prioritization. The Services, in turn, prioritize and, if needed, add additional candidates to the list for DSCP to begin the procurement process. After contract award, DSCP owns the materiel and has the responsibility of determining when and where the materiel will be shipped. This function is accomplished through close coordination with the Services to ensure proper distribution of materiel and maximum requirement coverage.

Today, the traditional stock rotation contract philosophy (one line item on a each contract without much flexibility) is giving way to the new stock rotation concepts as defined in the Corporate Exigency Contracts (CEC) program and Vendor Managed Inventory (VMI) program. The CEC and VMI programs maintain the same logical

concept of purchasing materiel and having the contractor rotate for freshness. However, the CEC and VMI programs also allow for multiple line item coverage on a single contract as well as the flexibility to change items during the contract period as dictated by market trends. The benefit to doing this is to ensure that only the most up to date commercially acceptable items are under contract. Note: As will be explained in greater detail later in the booklet, the main thrust of the CEC and VMI programs is to purchase access to inventory and not to purchase inventory, but the capability for stock rotation is built into the programs to take advantage of their versatility.

As stated previously, in FY97 the Army funded and contracted through DSCP several Army specific Stock Rotation contracts, including Intravenous (IV) solutions and IV administration sets, controlled substance items, x-ray film and lab reagents. This is the first time any of the Services have purchased their own materiel coverage using this program. The Army and the Marines have also invested in stock rotation through the VMI and CEC programs.

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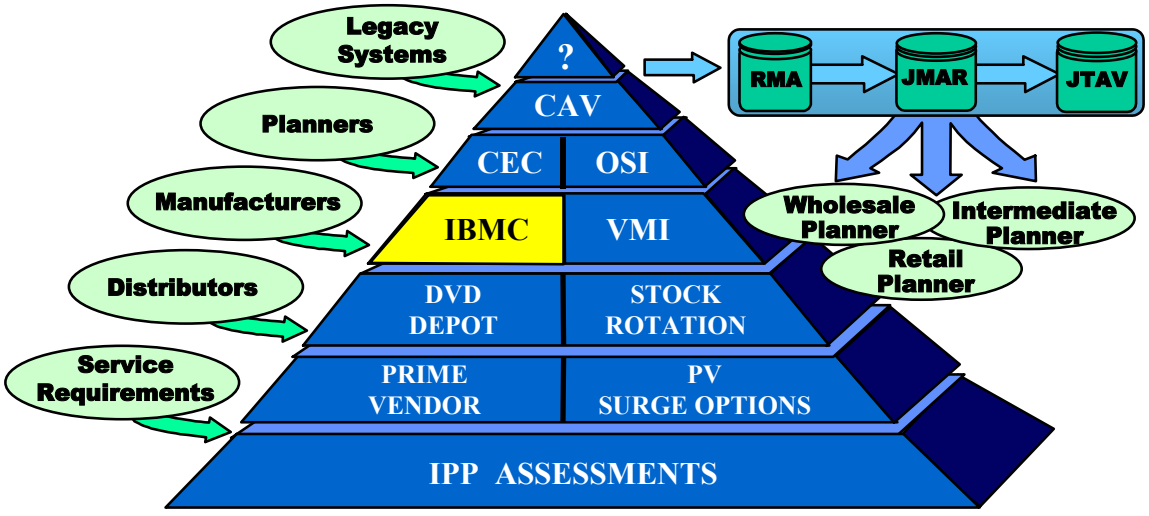
# INDUSTRIAL BASE MAINTENANCE CONTRACTS

# IBMC Program

**What is an Industrial Base Maintenance Contract (IBMC)?**

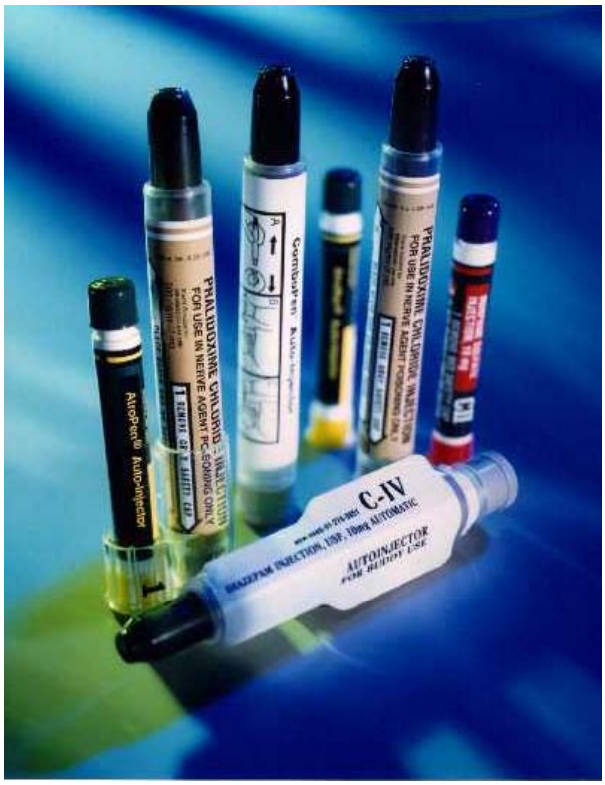
An industrial base maintenance contract (IBMC) is a contracting vehicle which ensures a manufacturing capability is maintained to meet the military Services' wartime and peacetime requirements for critical and time-sensitive items. At present, DSCP has an IBMC in place for Nerve Agent Antidote Auto-injectors (NAAA). DSCP also has in place an "IBMC-like" contract with Elwyn, Inc. for camouflage dressings and muslin bandages. A short discussion of the contract with Elwyn is provided at the end of this chapter.

Why an IBMC for NAAA? In Report Number 102-311, the Conference Report that accompanied the National Defense Authorization Act for Fiscal Years 1992 and 1993 (H.R. 2100), Congress initially identified NAAA as examples of a warstopper item. NAAA include the Mark 1, Atropine, Pralidoxime (2-Pam) and Diazepam (CANA) autoinjectors. NAAA are military unique medical items designed for the rapid self-administration of life-saving medicine during a nerve agent attack.




DSCP has purchased NAAA since 1959. During the period 1959 to 1991, NAAA were maintained in the depot and orders were typically filled from depot stock. DSCP then

reordered from the manufacturer. It normally took six months for the manufacturer to fill the requisition. During the period prior to 1990, NAAA requisitions placed on the depot were small and, normally, not time sensitive. All this changed during the Persian Gulf War. Iraq threatened U.S. forces with nerve agents; Service requirements increased exponentially. DSCP requisitioned several million NAAA to support the war effort. Fortunately, the build-up phase of the war allowed time to acquire the needed NAAA. In future wars, we may not be as fortunate.





DSCP entered into an NAAA IBMC 1992. Similar multi-year contracts were also awarded in 1995 and 1999. The NAAA IBMC is necessary because the worldwide NAAA production capability is very limited. The following are some of the factors that limit production:

- Low peacetime demand will not support more production facilities.
- Peacetime production without an IBMC would take several months for the first auto-injector.
- Peacetime demand is not only low but also sporadic. There can be wild swings in demand from year-to-year.
- Peacetime demand is insufficient to support an infrastructure capable of meeting contingency requirements.
- The cost to build a NAAA manufacturing plant is very high.
- There are stringent drug and regulatory certification requirements for NAAA product, process, and facilities.

The IBMC ensures that there will be a warm production base able to surge products to meet the balance of the Services' 2 Major Theater War (2MTW) NAAA requirements. As a result of the IBMC, the Services are able to minimize peacetime procurement, transportation, storage, handling, and disposal costs.

The IBMC requires that the contractor hire and train a capable workforce and operate sufficient facilities to meet the balance of the Services' 2MTW surge requirements (as specified in the Joint Service Chemical Defense Equipment Consumption Rates Study, also known as the JCHEMRATES Study). Some of the other more significant aspects of the NAAA IBMC include provisions that the contractor:

- Preposition and rotate enough components to satisfy the 2MTW requirement.
- Store and manage materiel placed into the Shelf Life Extension Program (SLEP). Currently, the Army has an option to return expiring NAAA to the contractor for storage. The FDA tests samples from each lot number for potency. If the shelf life can be extended, the contractor will inventory and store SLEP items for future distribution. If needed for contingencies, SLEP materiel will be relabeled and shipped as directed by the Army. All Services have the option to participate in the SLEP program.

In summary, the NAAA IBMC provides a capability to surge produce nerve agent antidote auto-injectors. . As a result, the Services can reduce their inventory of NAAA. However, the Services must continue to have on-hand sufficient inventory of NAAA to outfit their earliest deployers.

## Contract with Elwyn, Inc. for Bandages and Dressings

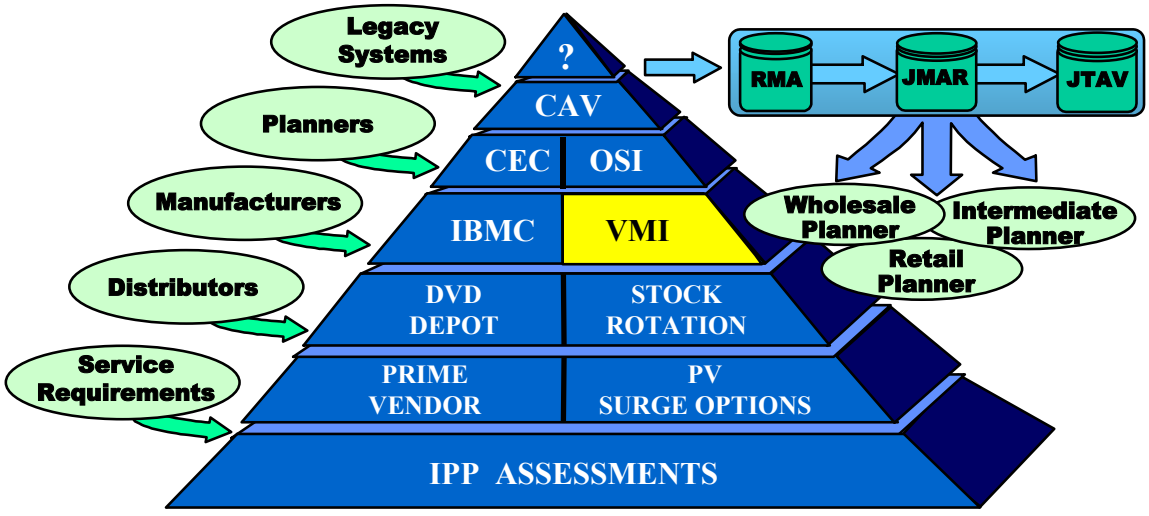
As noted above in the first paragraph**,** DSCP has negotiated an "IBMC-like" contract with Elwyn, Inc. for thirteen dressings and bandages. The Services have mobilization requirements for the dressings and bandages; but, since unavailability of these items would not halt prosecution of the war, we at DSCP do not categorize our contract with Elwyn as an IBMC. However, our contract with Elwyn is similar to an IBMC in that it ensures a manufacturing capability is maintained to meet the Services' wartime requirements for critical items.

Elwyn, Inc., a NIB/NISH organization, produces thirteen bandages and dressings for DoD. Historically, demand for these items during contingencies far exceeded peacetime capacity. To remedy this shortfall, DSCP used Warstopper funds to purchase long-lead-time raw materiels and production equipment for the most demanded items: camouflaged field dressings and muslin bandages. The availability of the raw materiel, which is stored and rotated at the Elwyn facility, and the equipment enables Elwyn to ship finished bandages and dressings almost immediately. Previously, the first bandages and dressings did not come off the production line until about month five.

# VENDOR MANAGED INVENTORY

## VMI Program

The Vendor Managed Inventory (VMI) initiative focuses on **partnering** with the healthcare industry's distributors in providing inventory management, and guaranteed availability for shelf life medical readiness items. Today, we have a VMI contract covering pharmaceutical and medical surgical items. Both of the contracts are long-term partnerships with distributors, the pharmaceutical contractor is Bindley Western Industries and the medical surgical contractor is Allegiance Healthcare Corporation. The Pharmaceutical VMI program uses **peacetime sales** dollars and underwriting distributors' safety level expenses as leverage against the distributor's commercial inventory/sales volume to provide guaranteed coverage to support Services' readiness requirements. DSCP Medical also processes urgent customer requirements that match items already in resident in the Medical Surgical VMI program to help underwrite inventory levels at the distributors. The purpose of the VMI program is to have **guaranteed access** to shelf-life materiel to ensure materiel availability for early deploying units.




The VMI program also plays an integral part in DSCP's readiness plan in providing surge and sustainment materiel until the industrial base gears up. By partnering with the distributor, we are guaranteed availability of inventory without making the investment in purchasing material. The guaranteed coverage inventory is rotated with the Distributor's commercial sales base. In some instances your MILSTRIP requisitions that match a VMI NSN item, are routed to the Pharmaceutical or Medical Surgical VMI

contractors, Bindley Western Industries or Allegiance Healthcare Corporation, to fill. In addition, Medical Assembly Program materiel orders that match an NSN covered by the VMI program are also routed to Bindley Western Industries to fill the requirement. In both instances the government sales help expand Bindley Western Industries and Allegiance Healthcare commercial rotation base and readiness coverage capability.

DSCP Medical, the United States Army Medical Materiel Agency (USAMMA), Air Force Medical Logistics Office (AFMLO) and the Marine Corps have invested in the VMI programs. The Pharmaceutical VMI distributor, Bindley Western Industries, is presently managing over $9.5 million of pharmaceutical inventory under this program. Allegiance is providing access to $5.6 million of medical surgical inventory. Over 830 pharmaceutical items and 222 medical surgical items are presently in the programs.

The Pharmaceutical and Medical Surgical VMI contracts are comprised of three components. First is Service-owned inventory or Government Purchased Materiel (GPM) for which the vendor is paid the price of the materiel plus an annual inventory management fee to guarantee inventory rotation. The second component provides access to Contractor Inventory Materiel (CIM) (not government purchased) that is maintained and rotated within the contractor's normal commercial business base inventory levels. The contractor is paid only an inventory management fee for this guaranteed access. The third and final component provides access to Contractor Furnished Materiel (CFM) for which the contractor has increased their inventory levels to meet the government requirements. This final component carries an inventory holding fee plus an inventory management fee to guarantee inventory availability, materiel freshness and maximum stock rotation. The additional inventory holding fee for CFM covers the cost of money or capital investment by the contractor to increase inventories.

Partnering with industry has enabled DSCP and the Services to leverage DoD funds by minimizing up-front stock investments to meet requirements. Every dollar invested in today's Pharmaceutical and Medical Surgical VMI program provides approximately $7.54 of inventory access for every $1 invested. In addition, by paying only the costs associated with increases in contractor inventory necessary to guarantee future access, Service funds are not expended for the purchase of materiel until it is actually needed. Rotation of materiel is accomplished through the vendor's customer base, which includes DSCP's Medical Assembly Program and Direct Vendor Delivery Program.

Another added benefit to our customers is that this program substantially reduces the overall DoD disposal costs associated with maintaining an inventory of shelf-life materiel, which ultimately expires at the retail and wholesale levels.

The flexibility built into the VMI contract allows for items to be added or deleted and quantities to be changed at any time. As technology and the products-of-choice change, the contract can be modified to change the range and depth of line item coverage so that the invested dollars are always being applied to the latest items and not being lost on obsolete items. Management of the VMI contract by DSCP, the Services and by the contractors; Bindley Western Industries and Allegiance Healthcare

Corporation has the “virtual effect” of maximizing the usefulness of all our readiness dollars. Active participation by all account holders coupled with the flexibility of the contract and Bindley Western Industries/Allegiance Healthcare Corporation willingness to cooperate and partner with the Department of Defense provides an enormous readiness capability to our plan.

Over the years the Pharmaceutical VMI contractor has successfully supported several military operations to include, Hurricane Mitch Relief to Honduras and El Salvador, Desert Fox, Ulchi Focus Lens, Humanitarian Aid to Central America, and Kuwait Brigade Set pre-positioning. Some of the units that were supported by the VMI contractor included Combat Support Hospitals, Forward Surgical Teams, and Area Support Medical Battalion.

Though the Medical Surgical VMI contract is not intended to support routine peacetime requisitioning, this contract will be exercised and tested periodically. However, the process is being developed whereby peacetime, emergency customer orders for VMI Medical Surgical items will automatically be transmitted through EDI to Allegiance. This will serve two purposes, 1) it provides a methodology to test Allegiance’s requisition processing capability, and 2) to increase commercial VMI rotation capability within Allegiance to expand coverage.

DSCP intends to use these contracts to support sustainment until the industrial base gears up. Future VMI contracts are planned for dental and optical products.

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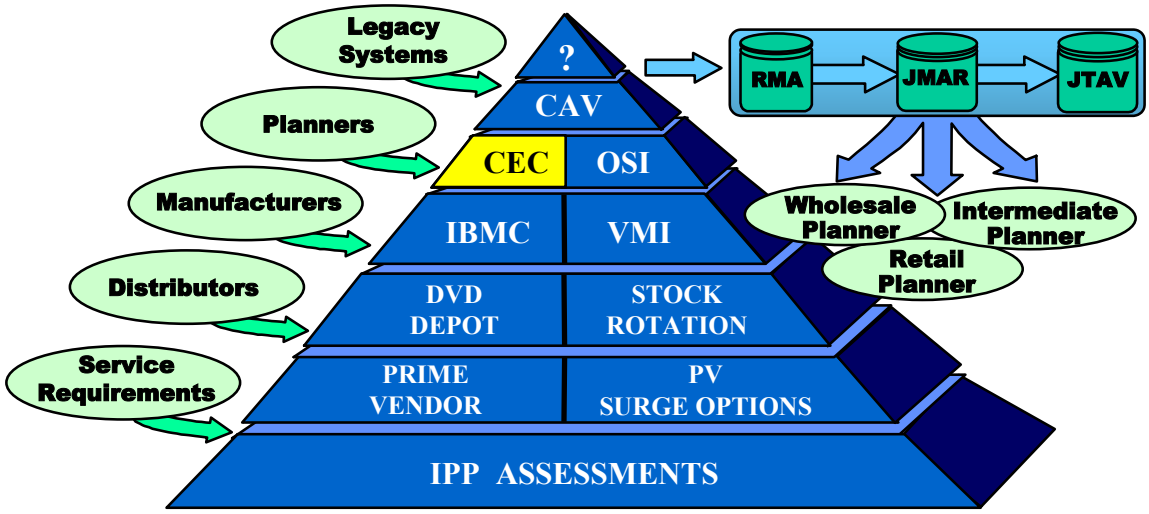
# CORPORATE EXIGENCY CONTRACTS

## CEC Program

The Corporate Exigency Contracts (CEC) program establishes long term **partnerships with manufacturers** to provide **sustainment** materiel to meet the Services' requirements in times of conflict or military need. The intent is to **buy access** to material by partnering with industry, vice purchasing materiel for depot warehousing. To maximize overall access and coverage, the CEC concept calls for making **multiple contract awards** in the same product line or product group. CEC thereby ensures the industrial base is prepared to respond to the Military Services' increased demands in support of contingency operations prior to production ramp up by the manufacturers. In addition, these contracts will serve as a process for the industrial base to respond more effectively and rapidly in the execution of filling Service requirements since the mechanism for placing procurements will already be in place and tested. These contracts will also enhance the IPP process by establishing a long-term relationship to share the Services' requirements with the manufacturers and in exchange obtaining their support capabilities against these items. However, unlike the IPP process, the CEC information from the manufacturers is verifiable and the negotiated coverage is contractual vice voluntary. **CEC is an insurance policy** to contractually ensure materiel is available for access and thereby maintain a high degree of medical readiness for a contingency. There are no anticipated peacetime sales through the CEC Program.



The first CEC was awarded to J&J Health Care Systems, Ethicon Division on August 27, 1998. The contract provided $9.2M in coverage spread over 324 suture lines. As of the end of FY00, there are eight CEC contracts in place with guaranteed contractual access to over $60 million of medical materiel providing support to 1229 NSN items.

CEC is a dynamic building block in the overall scheme of building readiness. Aimed at manufacturers, the CEC program is intended to provide access to medical materiel to meet known Service requirements and access to information regarding the manufacturer's total product line to meet unknown and unplanned Service requirements. In addition, CEC will provide accurate and timely Commercial Asset Visibility (CAV) data, such as production or sales information. The CAV data will allow DSCP a means to readily assess industrial supportability of an item. On the flipside, these contracts give DSCP the ability to know where and what assets are available and therefore which items **are supportable**. As previously stated, the CEC contracts are structured to allow for the expeditious processing of orders without contractual or planned producer delay since the basic contract for access and delivery will already be in place.

By partnering with industry, DSCP Medical intends to not only obtain guaranteed access to inventory for planned readiness items but also to obtain the manufacturers' recommendations for additional product lines that are the current products of choice in the commercial marketplace and that industry believes may have readiness implications. This information will also be used as an early warning to determine item obsolescence or when item use is commercially decreasing, indicating potential supportability problems in the future.

One of the strongest aspects of the CEC program is the line item coverage flexibility being built into the contracts. As technology and the products-of-choice change, the contract can be modified to change the range and depth of line item coverage so that the invested dollars are always being applied to the latest technological items and not being lost on obsolete items. This feature of the CEC also helps to facilitate the management of scarce readiness dollars through the reallocation of invested resources. CEC contracts will additionally facilitate the management of readiness dollars by maximizing the access to inventory vice the purchase of inventory for sustainment support. Readiness dollar savings are tremendous when the management fee for access is compared to the costs of purchasing, warehousing, disposing of and repurchasing shelf-life material for readiness.

As in the VMI Program, there are three major categories of materiel comprising the total CEC contractual coverage and access. The categorization of materiel support is performed by line item (NSN) and may be different for each contract depending on the coverage offered by the contractor. The first category is **Contractor Inventory Material (CIM)**. With CIM there are no anticipated support problems. The government's requirements can be supported from the contractor's commercial base. Guaranteed coverage and access is provided at minimal risk from the contractor's

safety stock or commercial production base. The contractor normally provides guaranteed access for CIM items at no cost to the government or a nominal management fee. The second category is **Contractor Furnished Material (CFM)**. CFM is pursued when the contractor's current commercial business levels do not support the government's requirements. The investment in CFM is only considered after maximizing CIM availability. To guarantee rotation and access at the desired government level, the contractor's inventory base, normally safety stock levels, are increased. A holding fee to compensate for the investment in increased inventory levels, in addition to an inventory management fee, is expected. The third category of materiel coverage is **Government Purchased Material (GPM).** GPM is similar to DSCP's current Stock Rotation program. The GPM is materiel the Government elects to purchase and normally exceeds what the contractor can or desires to hold within their commercial safety stock and inventory levels. The contractor will store and rotate the Government owned material throughout the duration of the contract to ensure fresh stock. GPM may be co-located with the contractor's commercial materiel. An inventory management fee is expected.

The initial thrust of CEC program concentrated on three product lines in the medical/surgical commodity: sutures, bandages and orthopedic supplies. Currently, negotiations are in progress, which cover all the medical surgical commodities. The concept has been discussed with various DoD activities and both the Health Industry Federal Advisory Council (HIFAC) and the Medical Readiness Business Practice Improvement Group. A Broad Agency Announcement (BAA) was published in March 1997 for industry comment and/or concept proposals. Presentations to and discussion with specific industry manufacturers regarding the concept continue. However, the BAA for the medical/surgical CEC program expires December 31, 2001. The government by that deadline must receive all concept papers from potential contractors in response to the BAA. All medical/surgical CEC contracts must be in place by the end of FY02.

As previously stated, on August 27, 1998, DSCP Medical awarded the first CEC for Johnson & Johnson Health Care Systems, Ethicon Division, we now have 7 additional manufacturers under contract. They are all listed below:

| | NSN Lines | $ Coverage |
|---|---|---|
| • J&J Ethicon | 345 | $13 M |
| • Medline Industries, Inc. | 268 | $6 M |
| • J&J Medical, Inc. | 113 | $9 M |
| • J&J Ethicon Endo-Surgery | 58 | $11 M |
| • J&J Codman & Shurtleff | 282 | $3 M |
| • Alcon Lab, Inc. | 46 | $2 M |
| • Allegiance Healthcare | 39 | $4 M |
| • 3M Health Care | 78 | $12M |

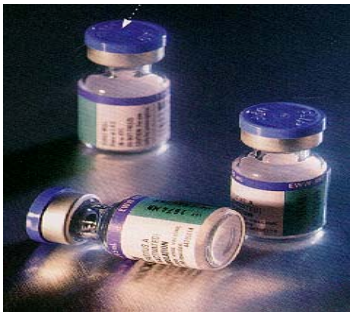
Since the CEC Program is an insurance policy, the Return On Investment (ROI) is an indicator of the amount of materiel the government has access to for each dollar of

investment vice a dollar savings. In general, the government receives a ROI of approximately 12 to 1 for the current 8 contracts; i.e. for each dollar invested, DoD receives guaranteed access to $12.00 in materiel.

For the 8 contracts in place as of the end of FY00, there is an average of a 9-10% holding fee for the Contracted Furnished Materiel and an average 6-7% inventory management fee for CFM and Government Purchased Materiel (GPM). There is normally no fee for guaranteed access to the Contractor Inventory Materiel (CIM) on hand.

The long term industry partnerships being formed by the CEC program and the flexibility of the CEC contracts to modify range and depth of coverage greatly enhances the Medical Directorate's ability to support the war fighting efforts. As a result of this initiative there are numerous other manufacturers expressing an interest in the CEC concept to increase the overall coverage of medical materiel. As long as the CEC BAA remains open DSCP is pursing other proposals to enhance readiness coverage.

In January 2001, DSCP Medical expanded the CEC concept into Pharmaceuticals. DSCP Medical conducted a Pre-Solicitation Conference with the pharmaceutical industry to gain their support and understanding of the program. The BAA used in awarding the Medical Surgical CEC will not be used in awarding the Pharmaceutical CEC. Pharmaceutical CEC coverage will be solicited using an RFP (Request For Proposal), with multiple awards anticipated in order to acquire broad industry coverage of the Military Services' requirements. It is anticipated that the Pharmaceutical CEC will mirror in capability the same industry coverage as the medical surgical industry has provided. In order to gain experience at awarding a Pharmaceutical CEC, the first solicitation will contain a limited number of products. The initial solicitation will contain approximately 70 antibiotic NSNs which currently have Service requirements. Estimated award date is September 2001.

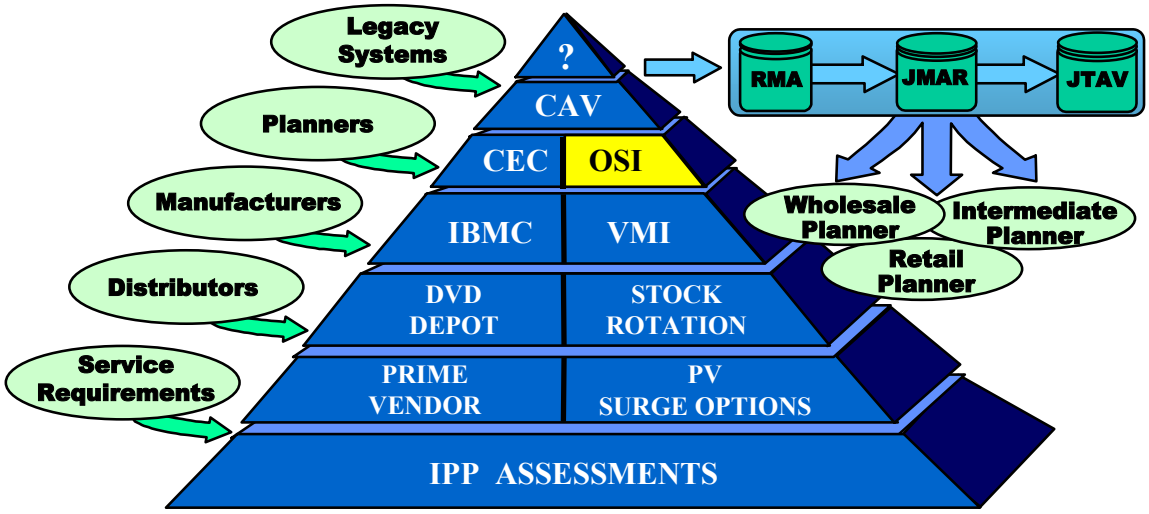


# OVERSEAS SUPPORT INITIATIVE

## OSI Program

At the request of the Military Services, in conjunction with the CinCs' inputs and concerns, DSCP is pursuing a new initiative to expand the supply source base by establishing partnerships with overseas manufacturers and distributors. The product line the Services and DSCP selected to pursue under this initiative are those products that impact or place a major constraint based on their respective tonnage or cube on the strategic air or sea lift capability of the DoD. Intravenous (IV) and irrigation fluids were selected as the first product lines to be pursued under this initiative.

Historically, IV fluids are bought from U.S. manufacturers and distributors and transported to the theater of operation. This method has proven inadequate during mobilizations due to the significant weight and cube of IV fluids and the low priority assigned to medical items on strategic military airframes and ships. The concept of OSI is to preposition IV fluids overseas for re-supply support as close to the theater of operation as possible to ease the transportation burden. This action conserves critical air and sea assets, increases supply chain efficiency, and reduce costs.




On March 16, 2001 the Medical Directorate awarded its first long-term contract for Overseas Support Initiative (OSI). This contingency contract is for Intravenous (IV) and Irrigation solutions in support of the European and

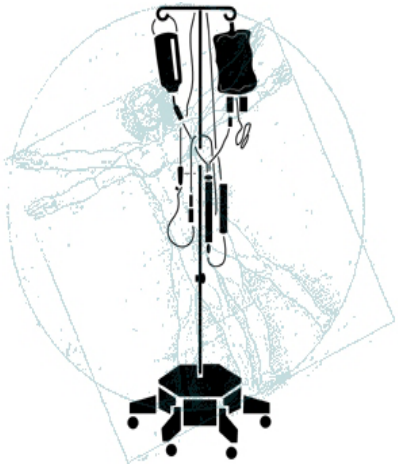
Southwest Asia theaters. The Defense Supply Center Philadelphia-Europe (DSCPE), as the contracting agency, awarded the contract to Baxter Healthcare International. Under the terms of the contract, Baxter has agreed to manage twenty (20) different IV and irrigation solutions and has guaranteed to provide over $3.7 million inventory in support of contingency operations. The materiel will be stored in the United Kingdom. Baxter will maintain the inventory and guarantee the freshness of the materiel. Baxter has 6 business days after receipt of a routine order to have the materiel at United States Medical Materiel Center Europe (USAMMCE), Pirmasens, Germany. In addition, Baxter has agreed to provide urgent deliveries, when necessary, for pickup by government carriers in 24 hours after receipt of an order.

The following IV and irrigation solutions are covered under this contract:

| |
|---|
| **DEXTROSE (Glucose) INJECTION, BP, 5%, 100 ml, BAG, 50s** |
| **DEXTROSE (Glucose) INJECTION, BP, 5%, 250 ml, BAG, 30s** |
| **DEXTROSE (Glucose) INJECTION, BP, 5%, 500 ml, BAG, 20s** |
| **RINGER'S INJECTION, COMPOUND SODIUM LACTATED, BP, 1000 ml, BAG, 10s** |
| **RINGER'S INJECTION, COMPOUND SODIUM LACTATED, BP, 500 ml, BAG, 20s** |
| **SODIUM CHLORIDE INJECTION, BP, 0.9%, 100 ml, BAG, 50s** |
| **SODIUM CHLORIDE INJECTION, BP, 0.9%, 1000 ml, BAG, 10s** |
| **WATER FOR IRRIGATION, STERILE, BP, 1000 ml, RIGID OR SEMI-RIGID CONTAINER, 6s** |
| **SODIUM CHLORIDE IRRIGATION, .9%, BP, 3000 ml, BAG, 4s** |
| **SODIUM CHLORIDE IRRIGATION, .9%, BP, 1000 ml, RIGID OR SEMI-RIGID CONTAINER, 6s** |
| **SODIUM CHLORIDE INJECTION, .9%, BP, 50 ml, BAG, 100s** |
| **SODIUM CHLORIDE INJECTION, .9%, BP, 500 ml, BAG, 20s** |
| **SODIUM CHLORIDE INJECTION, .9%, BP, 250 ml, BAG, 30s** |
| **SODIUM CHLORIDE INJECTION, .45%, BP, 1000 ml, BAG, 20s** |
| **DEXTROSE (Glucose) INJECTION, 50%, BP, 500 ml, BAG, 20s** |
| **DEXTROSE (Glucose) INJECTION, 5%, BP, 50 ml, BAG, 100s** |
| **DEXTROSE (Glucose) INJECTION, 5%, BP, 1000 ml, BAG, 10s** |
| **DEXTROSE (Glucose) INJECTION, 10%, BP, 1000 ml, BAG, 10s** |
| **0.9% SODIUM CHLORIDE and 5% DEXTROSE (Glucose) INJECTION, BP, 1000 ml, bag, 10s** |
| **0.45% SODIUM CHLORIDE and 5% DEXTROSE (Glucose) INJECTION, BP, 500 ml, bag, 20s** |

**BP = British Pharmacopoeia**

This most recent award of IV and irrigation solutions leaps DSCP into the next level of supply chain management, moving from a national base to an international globalization commercial base.

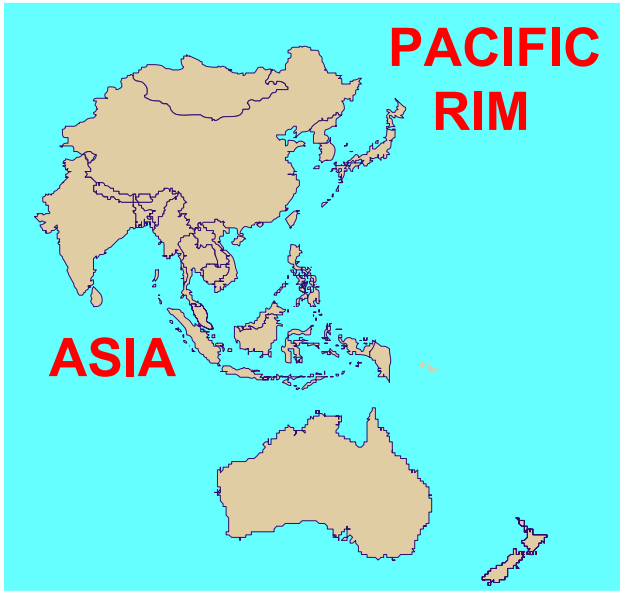


Again, under the OSI program, the intent is to buy guaranteed access to IV fluids rather than purchasing and storing shelf-life materiel. The guaranteed access includes both Contractor Inventory Materiel (CIM), Contractor Furnished Materiel (CFM) and Government Purchased Materiel (GPM) as described in earlier chapters in this booklet under the VMI and CEC programs.

In accordance with the contract, Baxter UK National Distribution Center, Northampton, England is responsible for ensuring that the guaranteed materiel is available, and that the delivered materiel is fresh and delivered on time to USAMMCE. DLA Warstopper funds were used to fund this initiative for the Services.

The OSI acquisition strategy being developed is to provide as much contractual flexibility as the VMI and CEC contracts provide today. Under OSI, the goal is to maximize coverage against the Military Services planned regional theater requirements with minimal investment dollars. This is accomplished by buying access versus inventory and incorporating the contractual flexibility to modify the range and depth of the coverage as the services' requirements and the products of choice change.

The Integrated Medical Logistics Group (IMLG) under the focus of the Strategic Acquisition Team of the Joint Medical Logistics 2020 (JML 2020) program has endorsed this endeavor as a means of expanding our sources of supply to a global level. DSCP intends to capitalize on this effort by expanding the IV OSI program to the Pacific Rim Theater of operation. FY02 is the target award year for the expansion.

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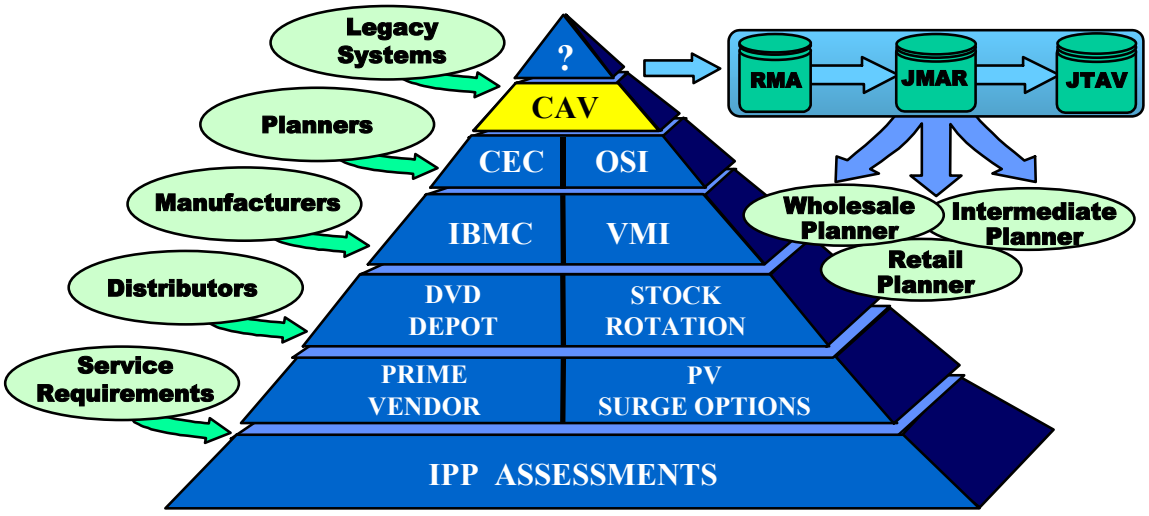
# COMMERCIAL ASSET VISIBILITY

## CAV Data

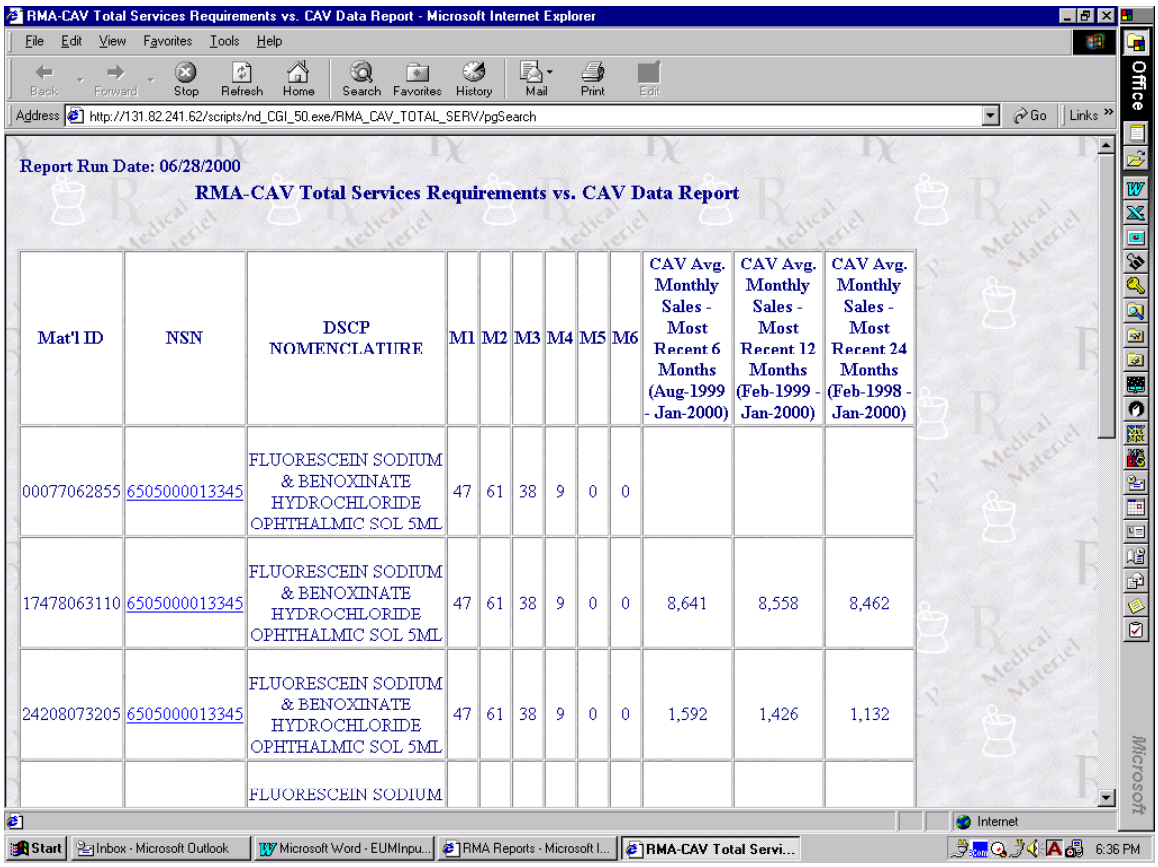
Commercial Asset Visibility (CAV) is a major block in building readiness. CAV is **information and data** on the inventory levels and sales volumes in the commercial and public sectors. By using CAV data we gain an insight as to what is available and moving in the commercial marketplace. There are two pieces to CAV, **contractual and non-contractual**. Contractual encompasses the visibility of those items, and quantities, for which a wholesale contract is in place to cover the requirement, such as VMI, CEC, Overseas Support Initiative, Stock Rotation, and Surge Options. Contractual data is easily obtainable for analysis. Non-contractual CAV is the sales and inventory information from manufacturers and distributors necessary for analyzing the commercial supportability of readiness items. The non-contractual CAV will provide the visibility of what and how much is produced which is critical for surge and sustainment materiel planning and is an indicator as to whether the DoD is planning to go to war with the right materiel; i.e. the current products-of-choice. Measuring commercial through-put in terms of sales quantity, which equates to current production level capability, is considered a better indicator of supportability than a snap shot of inventory levels and demonstrates the healthcare industry's ability to support the DoD's requirements.




The concept of using commercial asset visibility for readiness planning is relatively new to the DoD medical community. It is expected that the CAV data will be received in a

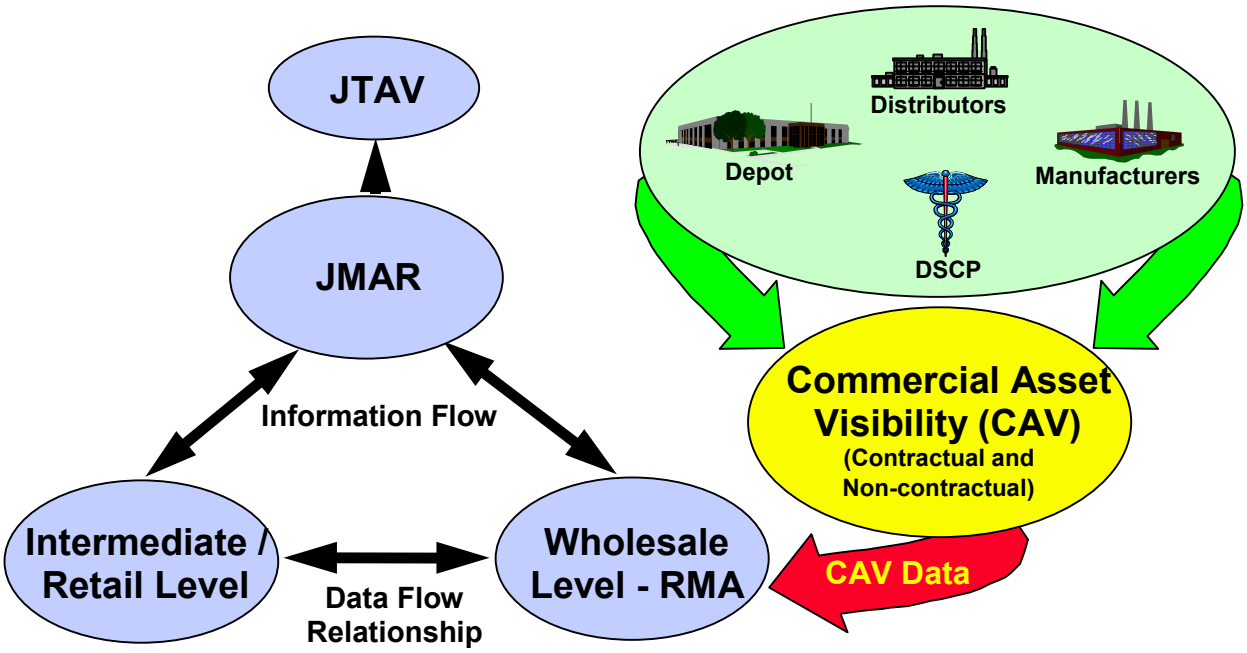
variety of formats and from a variety of sources. The data will be accumulated in the Readiness Management Application (RMA) at DSCP and then scrubbed for analysis. CAV will serve two major purposes for DSCP and the Services. First, CAV will allow DSCP and the Services to assess the validity and currency of the materiel components that make up unit assemblies. Are we planning for the right items? Has technology overcome the currently planned items, items that are no longer the product of choice? In many instances the items that comprise the individual unit assemblies consist of items that are no longer commercially used, thus forcing DSCP to plan for obsolete items, many times to no avail. CAV will allow DSCP, the Joint Readiness Clinical Advisory Board (JRCAB) and the Services to identify these items and determine adequate substitutions and alternate items that are commercially accepted and supportable. The JRCAB will be a major contributor to these decisions.

The second purpose of CAV data is to allow DSCP and the Services the ability to assess the wholesale posture of the medical readiness mission. CAV will help identify shortfalls in the wholesale system by visualizing what is available in the commercial market and how the commercial usage patterns and availability compare to the Services' time phased requirements. By identifying what is and is not available, DSCP and the Services can develop alternate solutions to offset production shortfalls. The following picture is a snap shot from RMA of the Total Services Requirements vs. CAV Data Report. The report shows which equivalent NDC is being sold in the marketplace.



Using DLA funds, DSCP awarded its first CAV contract to IMS Health in August 1998 for pharmaceutical data. In 2000, DSCP expanded the IMS Health contract to provide additional CAV data on medical surgical products. The CAV contract now covers both pharmaceutical and medical surgical items. The contract provides data to determine the national average monthly sales of over 700,000 commercial items. DSCP is continuing to investigate other sources of CAV data, particularly in the laboratory and dental arena. This information, in conjunction with the other readiness building blocks will be further used to help determine the wholesale readiness posture.

We feel strongly that the use of CAV data will immensely improve supply chain effectiveness, reduce our costs, improve readiness planning and most importantly increase readiness supportability. CAV data resides in the Medical Electronic Customer Assistance (MECA) application in the form of average monthly sales. MECA passes the CAV data to the Universal Data Repository (UDR). The Readiness Management Application (RMA) will be the working repository for CAV data, which will be combined with other readiness program data to assess the overall wholesale readiness posture. The power of the CAV data becomes even more pronounced when coupled with the two commercial product classification systems that also reside in RMA. Using First Data Bank for pharmaceutical products and Owen Healthcare for medical surgical products provides the expansion capability to address any given unique requirement to the equivalent product level. The equivalent product levels can then be used to determine the complete supportability and coverage of the Services' requirements. This information will then be available to the Services via RMA access.



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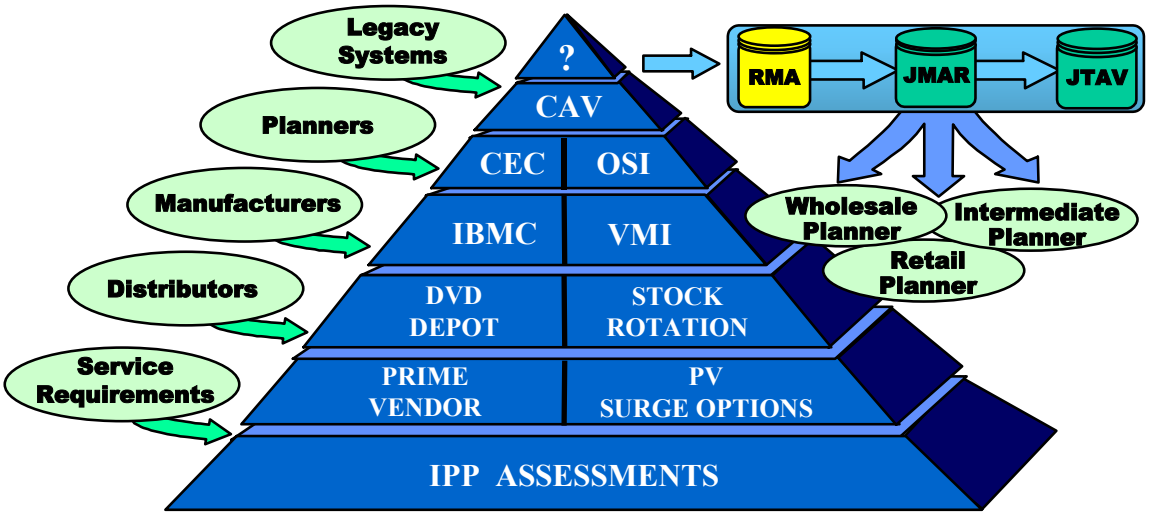
# READINESS MANAGEMENT APPLICATION

## RMA Program

The Readiness Management Application (RMA) serves as the comprehensive **readiness management application tool** that allows DSCP Medical and the Military Services the ability to visually incorporate, into one relational database, the complete **Wholesale Medical Logistics Readiness Plan**. RMA will contain contracted quantities of medical materiel as well as commercial marketplace non-contractual medical materiel asset information, which is available by NSN or commercial product numbers (NDC, UPN, and part number). RMA will support military missions throughout the operational logistics spectrum. The total RMA system application is presently under development, however Version 1.0 containing a robust pharmaceutical database was fielded in July 2000. The medical/surgical portion of RMA is projected to be available in late CY 01. You may access RMA via the WEB using the Medical Directorate's homepage at www.dmmonline.com or go directly to the RMA splash page by typing http://dscp162.dscp.dla.mil. Funds for development and maintenance of the database are being provided under the Defense Medical Logistics Standard Support (DMLSS) Program In addition, Cost Recovery dollars are also being used to fund the RMA development. RMA will provide the means to assess the Class VIII (Medical Materiel) wholesale readiness posture. By linking all wholesale readiness-related data and activities, RMA will allow stakeholders to collaborate and solve medical readiness challenges using a built-in Readiness Decision Support System (RDSS) tool. Through MECA, RMA data and information will be fed to the Joint Total Asset Visibility (JTAV) repository via the Medical Logistics Total Asset Visibility (MEDLOGTAV) Program Office's Joint Medical Asset Repository (JMAR) application for all DoD to access.



Rarely a day goes by without a request from DLA HQ, the CinCs or the Military Services asking DSCP Medical Directorate to assess the readiness posture of a particular item, group of items or medical program. Today, using RMA Version 1.0, this information can be readily obtained for pharmaceutical queries. Our vision is to continue the RMA development thereby providing the Medical Directorate and the Military Services the ability to assess the wholesale medical materiel readiness posture and available coverage of any item, group of items or medical programs in a timely and accurate manner.

Below is the RMA Homepage that you will encounter by accessing through DMMONLINE or by using http://dscp162.dscp.dla.mil. You may go on-line to Request Access to RMA or checkout "What's New", without having a password. A password is necessary to access detailed information and standard reports in RMA. A password can be requested online via the "Request Access" button on the home page.


Currently, there is not a single source of readiness information for wholesale level readiness planning, execution and sustainment functions to support DoD missions. DSCP Medical Directorate's strategic readiness planning vision is that the RMA will be the central repository of wholesale readiness data. The main purpose of developing an RMA tool is to provide DSCP and the Military Services and the CinCs the ability to

assess the readiness posture of the wholesale system for any mobilization scenario. RMA will provide electronic supply chain management and the tools to conduct supply and demand forecasting with improved data accuracy by utilizing standard reports, ad-hoc queries, and the RDSS modeling capabilities. Capturing data from the various building block components of the readiness pyramid, the RMA will assess the wholesale medical readiness posture by analyzing the Services' requirements against availability of materiel. Readiness assessment can be requested at the item level (National Stock Number, Universal Product Number and National Drug Code), product category level, program level (assemblages), and Directorate aggregate level. RMA will serve as the wholesale repository for total asset visibility, including commercial asset visibility (CAV), industrial preparedness planning data, and historical conflict usage data.

Below is the RDSS Home Page, which is what the user will see when accessing RDSS by selecting the "Model Services" button on the RMA Home Page. An RMA pass word is required to access the model. Information regarding the RDSS is available as well the procedures to request a model run. The RDSS simulation model assess time phased requirements against contractual assets plus the industrial commercial capability. The model results can then be analyzed and modified to determine how best to meet the Services' requirements.


In today's environment, planning for the mobilization of medical materiel is made more complicated by commercial business practices such as Prime Vendor and Just-in-Time (JIT) inventory management practices. These current business and inventory practices increase the requirements for access to and visibility of the commercial medical logistics base. RMA will contain significant readiness information, including: Services' requirements data, manufacturers' and distributors' production capability and assessment and quantity sales data, equivalent/alternate and substitution data, medical assemblage management data, IPP rating status, item description, on-hand asset balances, contractual coverage information, equipment component and associated

support items, and sources of supply. Using the results of the Readiness Business Process Reengineering efforts, the DSCP assembly management process is also being incorporated into the RMA development. The Services' assembly requirements are being integrated into the data to be used for both the planning and execution processes.

The Services' intermediate level logistics organizations and other major overseas customers, such as the US Army Medical Materiel Agency (USAMMA), Air Force Medical Logistics Office (AFMLO), Navy Medical Logistics Command (NMLC), US Army Medical Materiel Center-Europe (USAMMCE), 16th Medical Logistics Battalion, 6th Medical Logistics Management Center (6th MLMC), and any other Service organizations serving as a theater Single Integrated Medical Logistics Manager (SIMLM) shall have access to the RMA data. The RMA will serve as a medical logistics tool to aid the Services in operational decision making and will be a link with the Joint Medical Asset Repository (JMAR) at Fort Detrick.

RMA will have the capability to:

- Provide medical logisticians access to accurate and real-time data which can be used to assess the readiness support posture of DSCP Medical based on various scenarios.
- Accurately assess the Wholesale medical readiness posture for any time specified, in any scenario, on any item.
- Emphasize the shift from a requirements based system to a real world capabilities based system.
- Compare commercial sales and trends against the Services' readiness requirements to ensure that planning is for the right items.
- Retrieve and manipulate data necessary for readiness analysis to facilitate improved;
    - Readiness/IPP Assessment,
    - Decision Making,
    - Readiness Planning & Support, and
    - Materiel Supportability Analysis
- Provide ad hoc; "What if" query capability (RDSS Simulation Model).
- Reduce overall acquisition and sustainment costs for medical materiel items.

The next page provides a list of frequently asked questions by the users of RMA. The matrix contains indicators as to which reports would be the suggested source to answer the questions.

Below is a sample RMA standard Report for NSN 6505-01-182-8651, Lidocaine. The Report, "RMA-NSN Overview Report" depicts the IPP requirements, current contractual coverage, available CAV (commercial asset visibility) and potential equivalent coverage. This report is available for any NSN currently in the Military Services' IPP submission to DSCP.

Report Run Date: 07/10/2000

**RMA-NSN Overview Report**

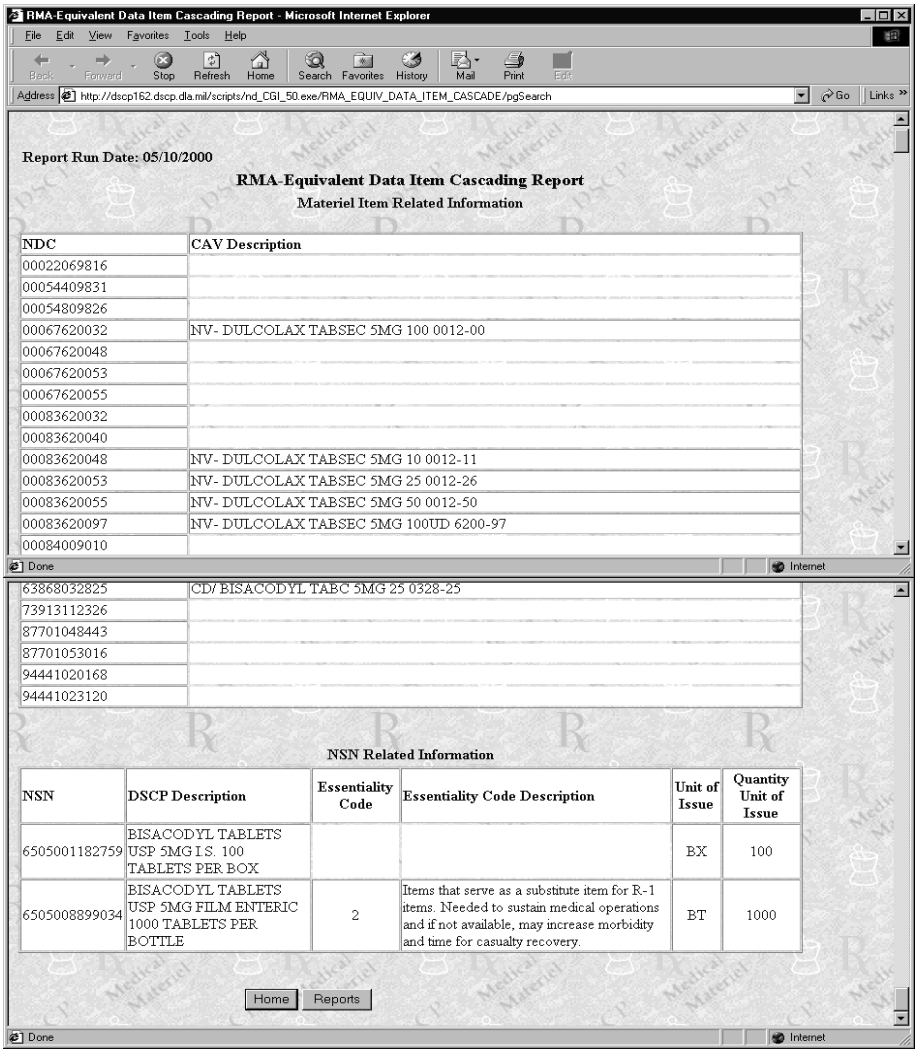
| NSN: 6505011828651 | NSN Nomenclature: LIDOCAINE HYDROCHLORIDE INJECTION USP 30ML VIAL 5 VIALS/PACKAGE |
|---|---|

| | | Month 1 | Month 2 | Month 3 | Month 4 | Month 5 | Month 6 | Period Summary |
|---|---|---|---|---|---|---|---|---|
| A | Requirements | 74154 | 49704 | 26868 | 29525 | 29534 | 17606 | 227391 |
| | Contractual Assets: | | | | | | | |
| | VMI | | | | | | | |
| | CEC | | | | | | | |
| | Stock Rotation | 100000 | | | | | | 100000 |
| | OSI | | | | | | | |
| | IBMC | | | | | | | |
| | DEPOT (Info Only) | 99206 | | | | | | 99206 |
| | Service Owned Assets (Info Only) | 500 | | | | | | 500 |
| | Excess from Previous Month | | 25846 | | | | | |
| B | Contractual Assets (DSCP Owned) less Requirements | 25846 | -23858 | -26868 | -29525 | -29534 | -17606 | -101545 |
| | Non-contractual Assets: | | | | | | | |
| | CAV (25%) | 1250 | | | | | | 1250 |
| | IPP Production Data | 74154 | 49704 | 26868 | 29525 | 29534 | 17606 | 227391 |
| C | Contractual plus Non-Contractual Assets less Rqmts (B+ either CAV or IPP) | 27096 | 25846 | | | | | 52942 |
| | | | | | | | | |
| | Rolled up Equivalents (Normalized): | | | | | | | |
| | Requirements | 1733164 | 390263 | 385272 | 377371 | 44730 | 27100 | 2957900 |
| | Contractual Assets | 4 | | | | | | 4 |
| D | Contractual Assets less Requirements | -1733160 | -390263 | -385272 | -377371 | -44730 | -27100 | -2957896 |
| | | | | | | | | |
| E | Primary NSN Contractual+Non-contractual Assets plus Equivalent Contractual Assets Rqmts (C+D) | -1706064 | -364417 | -385272 | -377371 | -44730 | -27100 | -2904954 |
| | Non-contractual Assets: | | | | | | | |
| | CAV (25%) | 62310683 | | | | | | 62310683 |
| | IPP Production Data (if no Cav Data) | 3931 | 5209 | 5971 | 6204 | 2611 | 1590 | 25516 |
| F | Primary NSN Contractual + Non-Contractual Assets plus Equivalent Contractual plus Non-contractual Assets less Rqmts (E + CAV) | 60604619 | -359208 | -379301 | -371167 | -42119 | -25510 | 59427314 |
| G | Overall Rating (R/G): | | | | | | | |
| | Primary NSN, Contractual Coverage | Green | Red | Red | Red | Red | Red | Red |
| | Primary NSN w/CAV or IPP | Green | Green | Green | Green | Green | Green | Green |
| | Primary NSN w/CAV or IPP plus Equivalent NSNs | Red | Red | Red | Red | Red | Red | Red |
| | Primary NSN w/CAV or IPP plus Equivalent NSNs w/CAV or IPP | Green | Red | Red | Red | Red | Red | Red |
| H | Coverage Scorecard (NIR Price - $36): | (000's) | (000's) | (000's) | (000's) | (000's) | (000's) | Period Summary* |
| | Requirements (Row A) times NIR Price | $2,670 | $1,790 | $968 | $1,063 | $1,064 | $634 | $8,189 |
| | Primary NSN, Contractual Coverage (Row B) times NIR Price | $931 | -$859 | -$968 | -$1,063 | -$1,064 | -$634 | $4,588 |
| | Primary NSN w/CAV or IPP (Row C) times NIR Price | $976 | $931 | | | | | |
| | Primary NSN w/CAV or IPP plus Equivalent NSNs (Row E) times NIR Price | -$61,419 | -$13,120 | -$13,870 | -$13,586 | -$1,611 | -$976 | $104,582 |
| | Primary NSN w/CAV or IPP plus Equivalent NSNs w/CAV or IPP (Row F) times NIR Price | $2,670 | -$12,932 | -$13,655 | -$13,363 | -$1,517 | -$919 | $42,386 |

* - Get Well Costs = sum of negative months per row

Within RMA reside two commercial databases that provide equivalent product information on commercial products. First Data Bank (FDB) is the commercial data source for finding equivalent products for pharmaceuticals. The FDB displays the FDA's Orange Book Code for equivalent product determination. For medical surgical equivalencies DSCP Medical has contracted with Owen Healthcare to provide medical surgical equivalent classification of commercial products. Owen Healthcare commercially markets their medical surgical classification data as "Supplyline". "Supplyline" matches for any given commercial medical surgical product a classification numbering system that maps clinically to equivalent commercial products. DSCP Medical incorporates the Owen Healthcare database into RMA. In addition, DSCP Medical submits medical surgical NSN products to Owen Healthcare for classification in order to be able to find alternate equivalent products. These alternate equivalent items may provide additional support or coverage to meet Services requirements.

The following report from RMA is the "Cascading Equivalent" Report. This report shows for an NSN or materiel ID, such as an NDC, the associated equivalent NSNs and associated commercial equivalents available in the market place.



As a result of changing business practices at DSCP and at the request of the Services, a follow-on readiness execution version has evolved and is being incorporated into the developing RMA. The need centers around the wholesale level being able to facilitate the processing and routing of the Services' requisitions to the appropriate supply source for immediate shipment and to provide timely status to the customer. This capability will include approved automated substitutions without manual research or intervention. Although RMA will not replace any legacy system, RMA data may serve as the cornerstone to facilitate attainment of this vision.

The second to the last page of this booklet is a one-page summary of the RMA Program, provided as a tear-out, so that the highlights of this initiative can be shared.

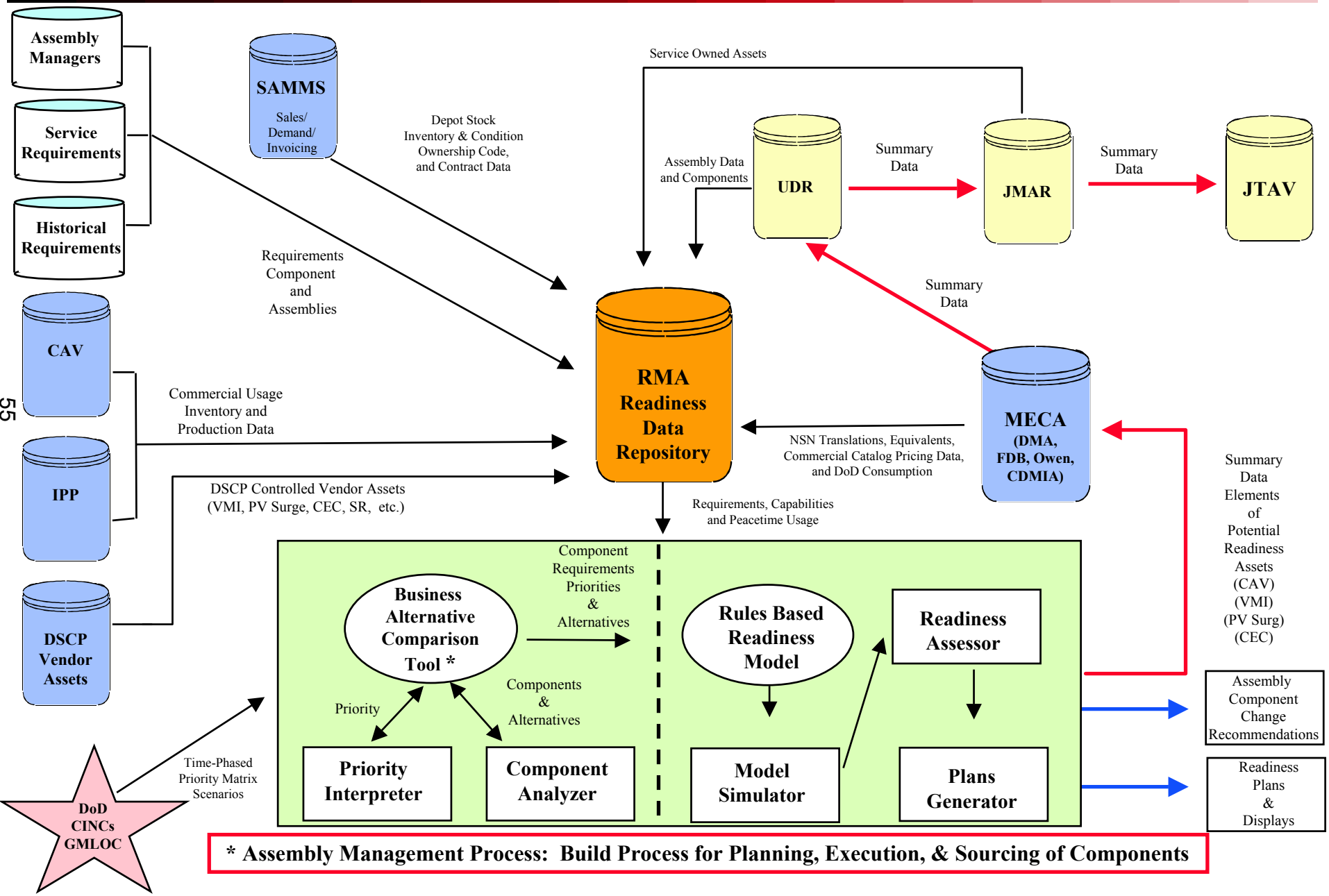
The following pages, titled "Readiness Management Process" and "DMLSS Connectivity," graphically depict the RMA process and DMLSS program interfaces.

# Frequently Asked Questions

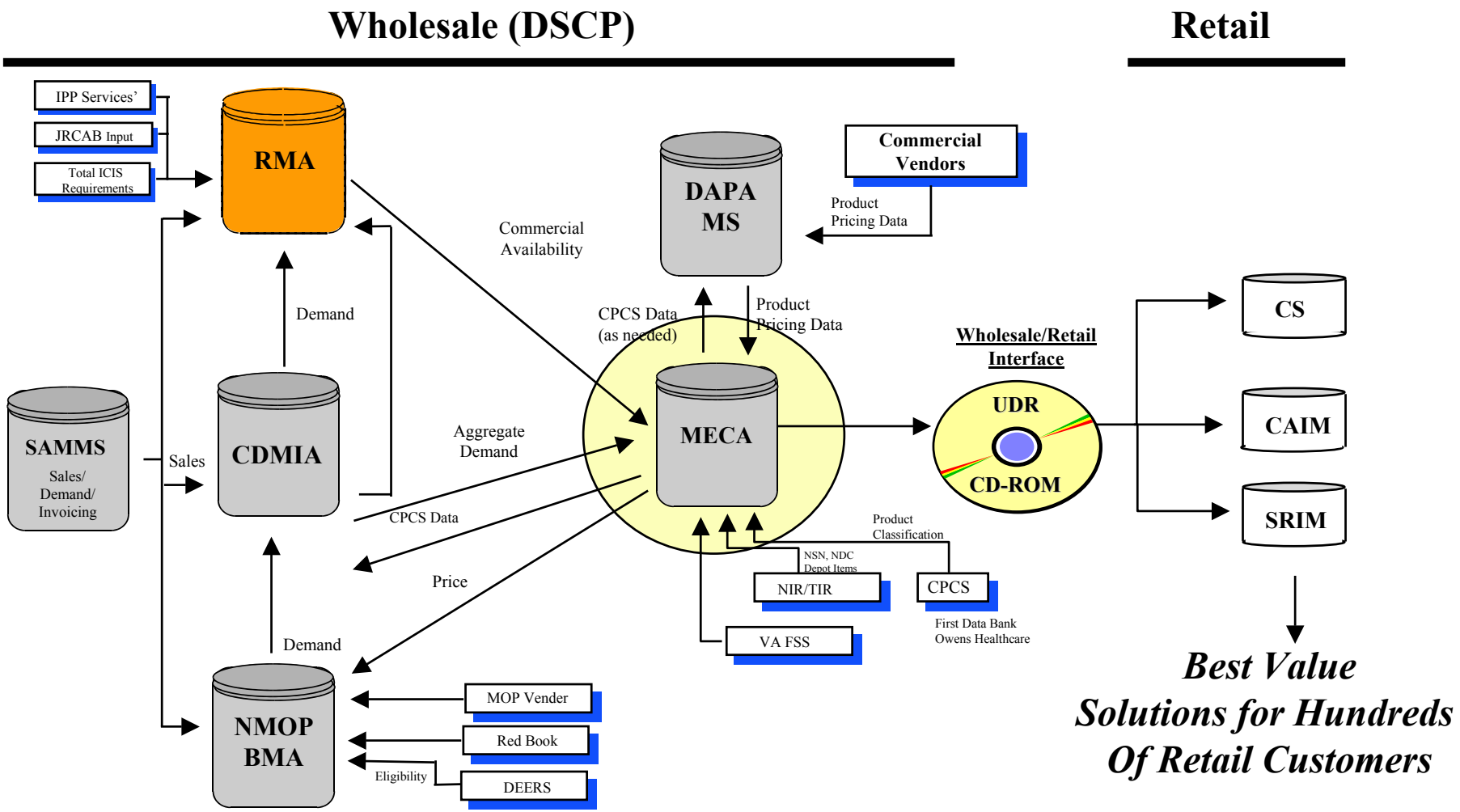
| | Standard Reports | CAV Average Commercial Sales | CAV Actual Commercial Sales | CAV Comparison | CAV Exception Add/Drop Report | CAV 75% Sales Decline Report | DOD Purchases by Time Period | Source of Data and Date of Feed | Total Service Requirements vs. CAV Data | UA Bill of Material | UA ComD Where Used | NSN Overview | FSC Overview | Requirements vs. Government/CAV Sales | Readiness Significant Item | Equivalent Data Item Cascading | Red / Green Item | Ad Hoc Reports | Ad Hoc Query Tool | RMA Cubes | Asset Cube | CAV Cube | Requirements Cube | Model | Model Services |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Overall** | | | | | | | | | | | | | | | | | | | | | | | | | |
| How current is this data? | | | | | | | P | | | | | | | | | | | | | | | | | | |
| **Materiel Requirements** | | | | | | | | | | | | | | | | | | | | | | | | | |
| What are the Services' Time_Phased Requirements? | | | | | | | | P | | | X | | | | | | | X | | | | | X | | |
| What are the Services' Overall Time_Phased Requirements? | | | | | | | | | | | | | | | | | | | | | | | P | | |
| What is the wholesale coverage for any given requirement? | | | | | | | | | | | P | | X | | | | | | | | | | | | |
| What is the wholesale coverage per Services' time phased requirement by item, by scenario? | | | | | | | | | | | | | | | | | | | | | | | | | P |
| What is the wholesale Supply Support Plan (SSP) for a particular item? | | | | | | | | | | | | | | | | | | | | | | | | | P |
| What possible changes can be made to improve the SSP coverage? | | | | | | | | | | | | | | | | | | | | | | | | | P |
| What is the criticality (Essentiality Code) of the Service's Requirement? | | | | | | | | | | | | | | P | | | | | | | | | | | |
| What materiel items have not been planned for by the Services? | | | | | | | | | | | | | | | | | | P | | | | | X | | |
| What is the readiness status of the requirement? | | | | | | | | | | | P | X | | | | X | | | | | | | | | |
| What is the overall readiness of multiple NSNs? | | | | | | | | | | | | | | | | P | | | | | | | | | |
| What is the overall readiness of an FSC? | | | | | | | | | | | | P | | | | | | | | | | | | | |
| **Materiel Items** | | | | | | | | | | | | | | | | | | | | | | | | | |
| What are the item details? | | P | | | | | | | | | | | | | | | | X | | | | | | | |
| Are there associated items/components required? | | | | | | | | | P | | | | | | | | | | | | | | | | |
| Where is the item available and in what quantities? | | | | | | | X | | | | X | | X | | | | | | | P | | | | | |
| What contracts exist to supply the item? | | | | | | | | | | | P | | | | | | | | | X | | | | | |
| What items are no longer supported? | | | | | P | | | | | | | | | | | | | | | | | | | | |
| What new items are available? | | | | | P | | | | | | | | | | | | | | | | | | | | |
| Has the item been replaced? | | | | | | | | | | | | | | | | | | P | | | | | | | |
| Are there equivalent items that could be used? | | | | | | | | X | | | | | X | | P | | | | | | | | | | |
| What items are being purchased by DOD? | | | | | | P | | | | | | | | | | | | | | | | | | | |
| **Materiel Source** | | | | | | | | | | | | | | | | | | | | | | | | | |
| What are the terms and conditions of contracts? | | | | | | | | | | | | | | | | | | P | | | | | | | |
| Who owns the items? | | | | | | | | | | | | | | | | | | X | | P | | | | | |
| **Commercial Capabilities** | | | | | | | | | | | | | | | | | | | | | | | | | |
| Is the item available commercially? | | X | X | X | | | X | | X | | | X | | X | | | | | | | | P | | | |
| What quantities are commercially available over time? | | X | P | X | | | | | | | | | | | | | | | | | | X | | | |
| Is there an equivalent item that is preferred by the commercial industry? | | | | | | | | X | | | | | P | | | | | | | | | X | | | |
| What items have declining sales over time? | | | | | | P | | | | | | | | | | | | | | | | X | | | |
| How do commercial sales compare between two time periods? | | X | X | P | | | | | | | | | | | | | | | | | | | | | |
| **Assembly Management** | | | | | | | | | | | | | | | | | | | | | | | | | |
| What items are contained in the standard UA configuration? | | | | | | | | | P | | | | | | | | | | | | | | | | |
| What UA needs this item? | | | | | | | | | | P | | | | | | | | | | | | | | | |
| **Query by NSN (N), by Materiel ID (M) {NDC, Part Number, etc.}, or Both (B)** | | **M** | **M** | **M** | **M** | **M** | **M** | | **N** | **N** | **N** | **N** | **N** | **N** | **B** | **B** | | **B** | | **B** | **B** | **B** | | | **N** |

Note: **P** shows preferred choice for information
X shows information available

# Readiness Management Process



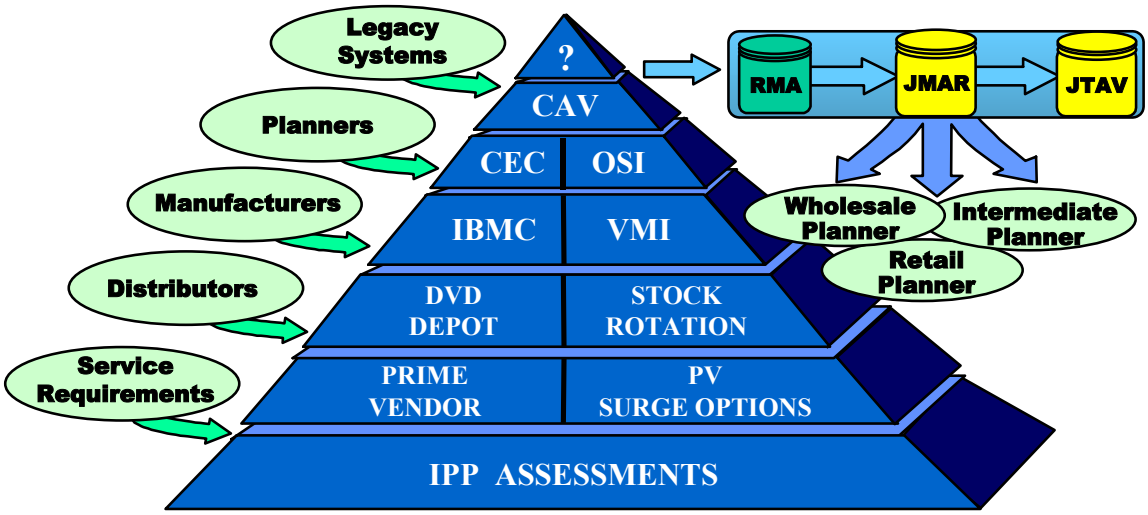
# DMLSS Connectivity



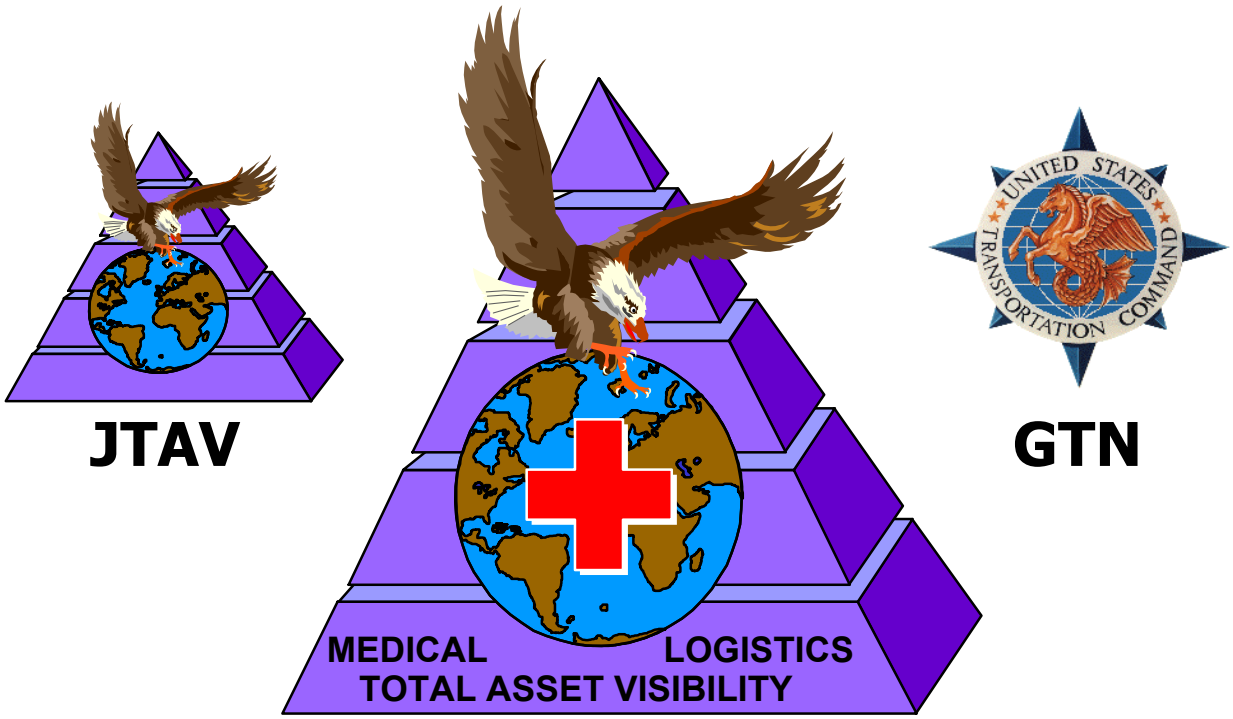

*One Seamless Integrated Interdependent System*

# JOINT TOTAL ASSET VISIBILITY (JTAV)

Accurate and timely medical readiness assessments are dependent upon having current and complete **asset visibility**, including **in-transit visibility (ITV)**. Today, the Joint Medical Logistics community lacks the capability to provide comprehensive, timely, and accurate information on the location, movement, status, and identity of medical equipment and supplies. Without this visibility, redundant materiel orders, which tax the industrial base and a general lack of confidence in the dependability of the logistics pipelines, will continue to plague the medical community. Total Asset Visibility (TAV) is the capability to provide timely and accurate information on the location, movement, status, and identity of units, personnel, equipment, and supplies. It also includes the capability to act upon that information to improve the overall performance of the DoD's logistic practices. The need for TAV, which has long been recognized, is based on two key factors: ability to maintain and assess military readiness through materiel asset visibility (both contractual and non-contractual) and the ability to stratify and redistribute materiel against operational shortfalls utilizing this visibility.




With the exception of a limited number of items, the medical community is dependent upon the private sector for Class VIII materiel support in both peacetime and in case of conflict. The Quad-Service medical logistics community requires visibility into commercial marketplace capabilities and a method to gather In-Transit Visibility (ITV) in order to plan and execute a mission.

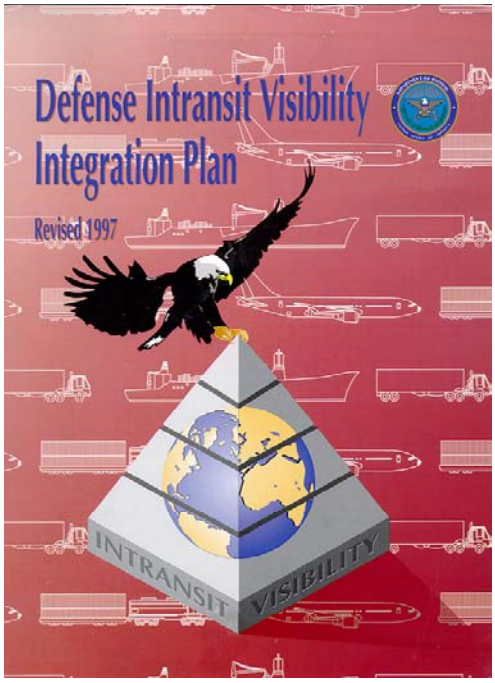



Asset visibility for the medical commodity must be gathered and fused from multiple sources. Medical asset information is broadly distributed across the Military Health Service System (MHSS) at the retail level, Services' intermediate level, wholesale level, and the commercial manufacturing and distribution level. The Readiness Management Application (RMA) will be a major source of consolidated asset information at the wholesale level and the industrial base level. Medical Logistics Total Asset Visibility (MEDLOGTAV) Program Office functions as the medical logistics data source for the medical community and feed the data to Joint Total Asset Visibility (JTAV) through the Joint Medical Asset Repository (JMAR). JMAR does not create new data but captures and consolidates existing data from disparate sources such as RMA, MECA, UDR, etc. and provides the information to JTAV. JMAR has a technical capability that accesses existing Services and DLA medical logistics systems and commercial logistics data located in various information systems. The goals of JMAR are:

- Allow identification of excess assets to fill requirements.
- Allow for cross-leveling between the Services.
- Provide the means to monitor the location of and manage assets flowing from commercial distributors and manufacturers throughout the United States through transportation hubs and into the distribution pipeline.
- Expose bottlenecks in both supply and transportation systems.
- Provide the capability to "first to fight" units to make informed decisions in medical logistics planning.
- Provide the capability for informed decision making on critical materiel usage at all levels.
- Reduce duplicate requisitions caused by a lack of pipeline visibility and a concurrent increase in user confidence in the supply system.

- Enhance medical logistics operational readiness.

The DSCP Vendor In-Transit Visibility (ITV) program is designed to capture shipping data from vendors to provide in-transit visibility (ITV) through the Global Transportation Network (GTN). A vendor pulls customer electronic order information and creates an Electronic Data Interchange (EDI) bill of lading with line item level detail, which is sent to DSCP for costing, to the transportation carrier and GTN as a notification of shipment. The transportation carrier in turn sends EDI status information to GTN, which provides the ITV. GTN provides ad hoc and specialized query capabilities to DSCP customers based on vendor bill of lading number, national drug code or part number, shipment call number, etc. DSCP determines transportation costs for the shipment and sends the bill of lading data to the U.S. Bank PowerTrack system. The transportation carrier submits electronic invoices and automated proof of delivery notices to PowerTrack. DSCP personnel then access PowerTrack via the worldwide web and certify shipments for automated carrier payment. The DSCP Vendor Express system (VENEX) was originally developed by DSCP and used at the medical prime vendors and DSCP. That system is being phased out as new medical prime vendor contracts are being awarded. The new contracts require the vendor to create and send the electronic ITV information. The ITV and PowerTrack concepts are operational with Bindley Western Industries and Emery Worldwide and are being implemented with each new pharmaceuticals and medical surgical prime vendor and their transportation carriers. In the future as we implement and expand the program FedEx, DHL and UPS shall provide the same service as Emery Worldwide.



Commercial airfreight carriers generally deliver shipments from DSCP medical prime vendors directly to OCONUS DSCP customers such as Pirmasens, Germany. These carriers file tenders of service with the Air Mobility Command (AMC) for general air service as well as AMC's FY International Airlift Services contract with the Civil Reserve Air Fleet (CRAF) carriers such as Emery, FedEx, DHL, and UPS. In general, these tenders are used for shipments in excess of 150 pounds. Worldwide Express (WWX) is a commercial small parcel transportation service implemented by AMC in conjunction with GSA for OCONUS shipments 150 pounds or less. Medical prime vendors are required by DSCP to use WWX for shipments up to 150 pounds if the traffic lane has approved WWX carriers, currently FedEx, DHL, or UPS depending on the traffic lane. WWX transportation payments to the carriers are to be paid via PowerTrack as are larger tender shipments. AMC FY International Airlift Services contract shipments have special carrier status reporting requirements to AMC. It is also intended that WWX carriers as well as tender carriers report their status to GTN for ITV purposes. In addition, the web-based tracking capabilities of WWX carriers are available to DOD and commercial customers.

# DSCP MEDICAL INITIATIVES

DSCP Medical Directorate is continuing to develop readiness acquisition and support strategies to meet today's logistics challenges, while moving forward to meet tomorrow's challenges. Medical logistics at DSCP is not business as usual. Besides those programs mentioned in the previous sections of this booklet, there are numerous other DSCP initiatives which aid in the Medical Readiness mission. Many of these initiatives are on the cutting edge of technology and fully embrace commercial business practices. The Medical Directorate is always on the lookout for business opportunities with the goal of developing new and innovative partnerships with the healthcare industry, which will improve medical readiness support and reduce the Services' readiness costs. Following are some of the more significant programs, which DSCP has developed or is developing (some are more further along than others).

## Electronic Catalog (ECAT)


**Electronic Catalog (ECAT), Dental Distribution System Initiative**

The Medical/Surgical Product Group of the Medical Directorate has awarded contracts for a worldwide Dental Distribution System. These contracts provide for Internet ordering through Medical's Electronic Catalog (ECAT) system. Medical's ECAT gives our dental customers access to multiple distributor's/manufacturer's catalogs through the DSCP web site. The customer orders on-line using either a government credit card or interfund billing procedures. Checkout our web-site on Dental, sign up and get your account number at. https://medweb.dscp.dla.mil/ecat/logon. Call the DSCP ECAT Help Desk for additional information (1-800-290-8201). Dental ECAT provides access to the following vendor catalogs: Henry Schein, Inc., Grobet File Co., Dentsply Preventive, Dentsply Caulk, Dentsply Maillefer, Smarthealth, Coltene/Whaledent, Benco Dental, and Hu-Friedy Mfg. Co. Customers can order various items from different catalogs in one shopping cart order. DSCP electronically transmits those lines to the applicable vendors using ANSII standard EDI transaction sets with direct shipment to the customer. The customer can query the system by product name, supplier part number, manufacturer, manufacturer part number, etc. In addition, ECAT interacts with our customers' MEDLOG and DMLSS legacy systems.

All military and federal agencies have the opportunity to use the Dental ECAT program. Deliveries are FOB destination utilizing commercial carriers. All contractors are required to provide materiel within 72 hours After Receipt of Order (ARO) for CONUS orders and 10 days ARO for OCONUS orders. The contractor is also required to provide order confirmation within 24 hours to the customer.

In addition, approximately 600 dental readiness items were identified to the contractors for support. All contractors are required to submit a plan for availability and delivery of these readiness items for a spectrum of contingencies. Contractors must submit surge validation plans that define how they will meet mobilization needs and verification requirements. These plans will identify what amount of access to dental materiel is available from each contractor. The contractor will implement the approved strategy upon notification of the DSCP Contracting Officer. Contractors are required to participate in or conduct surge tests to validate surge capability. These tests may be paper exercises, simulations, participation in live exercises, or any other methodology required to evaluate surge capacity. Any deficiencies identified during these tests must be corrected. The Contracting Officer will have sole authority to activate the surge provision.

**Electronic Catalog (ECAT) Optical Initiative**

The Medical/Surgical Products group partnered with NOSTRA (Naval Ophthalmic Support and Training Activity), in Yorktown, VA, in establishing a program that provides the range of consumable optical products needed for the fabrication of eyewear for DoD customers. Optical ECAT is available for use by all Services. The range of items consists of lenses, frames, and miscellaneous products required for spectacle fabrication. The program involves the use of ECAT, the DSCP web-based ordering process. Browse the web site at https://medweb.dscp.dla.mil/ecat/logon. ECAT standardizes and streamlines the consumable-item ordering procedures used by optical fabrication facilities. Prices identified to the customer include all total-delivered costs. In addition, delivery to CONUS facilities is required within 4 days after receipt of order; OCONUS shipments must be delivered within 8 days using commercial shipping methodology. Contractors will acknowledge order confirmation and shipment to the customers within 24 hours after receipt of order.

This initiative results in as close to a just-in-time support feature that the optical industry allows. As such, no depot stocking by DSCP is required. To meet the Services' optical surge requirements, a mandatory surge provision is included in each contract. The following vendors currently participate in the optical ECAT program: U.S. Safety, Korrect Optical, Chicago Optical, Essilor Lenses, Randolph Engineering, AO Sunwear, Rochester Optical, Dispensers Optical, Criss Optical, Slim "N Lite Lenses, Ames and Keystone Tool & Mold Inc. The terms of the Surge provision, as used in this program, is the ability to meet accelerated delivery requirements for a large volume of consumable products for a spectrum of contingencies.

Optical contract awards are for one base year with four option years. Under the surge provisions, contractors must deliver, directly to the customer, up to 10 percent of the identified surge requirement within 24 hours of order receipt. Thereafter, deliveries of up to 5 percent of the surge level are required within 24 hours. The list of customers using this surge feature is limited to those that handle surge-related orders.

Each participating contractor must submit surge validation plans that define how their surge capability can be achieved and verified. Contractors are required to participate in or conduct surge tests to validate surge capacity. These tests may be paper exercises, simulations, participation in live exercises, or any other methodology that can validate surge capacity. Any deficiencies identified during these tests must be corrected. The Contracting Officer will have sole authority to invoke the surge provision and will notify the contractors directly when the surge provision is made active.

### Electronic Catalog (ECAT) Laboratory Integrated Delivery System (LIDS) Initiative

Historically organizations and units have had a difficult time acquiring laboratory supplies. The Defense Supply Center Philadelphia (DSCP) has created a unique and innovative approach by completely re-engineering its business of acquiring laboratory supplies. Contracting, order placement, invoice payment and contract administration functions all have been streamlined and changed to mirror commercial practices. The purpose is to maintain an industry standard "Just-In-Time" inventory approach for all laboratory supplies with sufficient surge capability to meet DoD requirements for certain planned or unplanned defense mobilization or contingency efforts.

Contracts have been awarded to the following vendors: A. Daigger & Co., Allegiance Healthcare Corp., BVA Scientific, Biopool International, District Healthcare, Fisher Scientific, GSS, Infolab, PGC Scientific Corporation, Remel, Sigma-Aldrich Research, Spectrum Laboratory Products, and Thomas Scientific. The contracts are for a one-year base period with four option years. The company's published catalogs can be found on ECAT. The suppliers price their items using discounts off their published list catalog price. The electronic catalogs include graphics, detailed text descriptions, and the Total Delivered Price to the Government. Total Delivered Price is defined as total cost inclusive of transportation and distribution, as well as the recovery factors assigned by DSCP. Orders can be placed directly through the Internet or through the Services' legacy systems. The sites that use MEDLOG and DMLSS can set up a record in their system that interfaces directly with ECAT.

Deliveries are FOB destination utilizing commercial carriers. Delivery is within 72 hours after receipt of order. There is a provision for special orders with delivery times of 15 days. Emergency orders (24-hour delivery) is also available, but the increased transportation costs is added to the price the customer will pay.

Today the LIDs initiative is available to CONUS sites and Hawaii and Alaska. We are working on a solution to OCONUS sites. Because of the nature of many laboratory items (hazardous, refrigerated), the transportation piece of the puzzle is still being worked out.

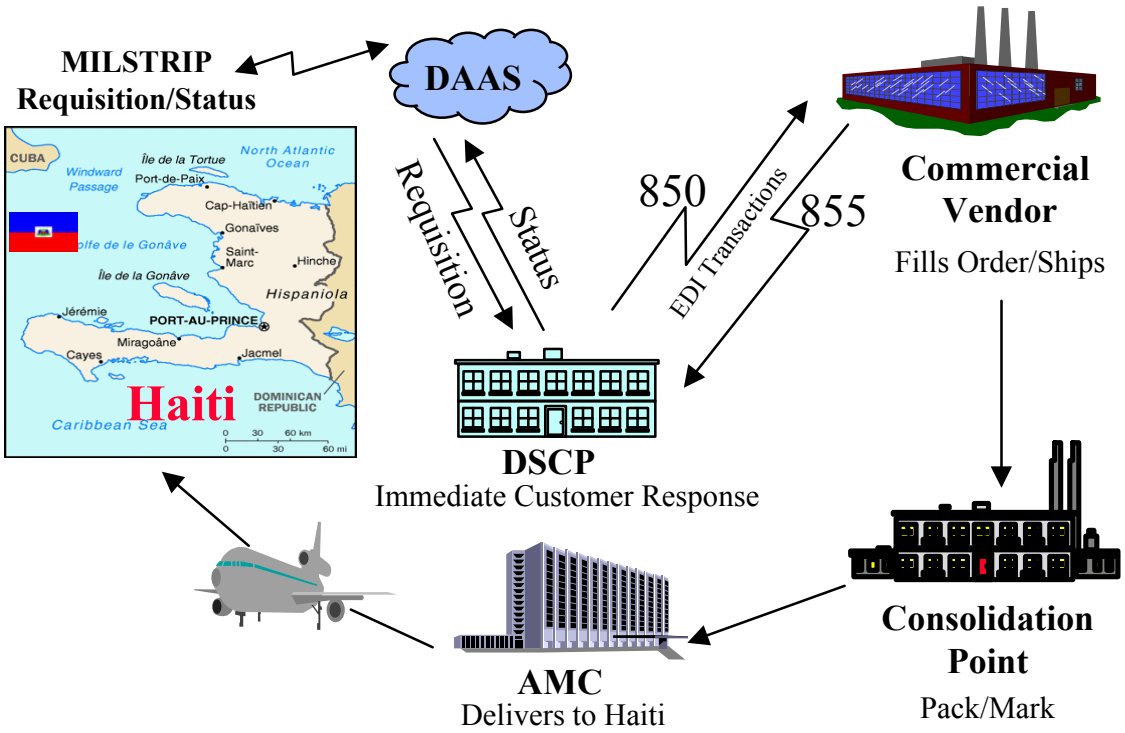
Log on to our web site at http://medweb.dscp.dla.mil/ecat.html or call the ECAT help desk at 1-800-290-8201.

## Focused Logistics Laboratory (FLL)

DSCP Medical along with the Services continues in the development of the Focused Logistics Laboratory (FLL). The FLL is designed to provide new and current support practices to medical units engaged in remote contingencies, which do not have an existing routine support network. The concept supports the Joint Vision (JV) 2020 philosophy of using electronic commerce and intransit visibility to manage the flow of requisitions and materiel into an area of operations. The FLL provides a low risk laboratory to practice and test the JV 2020 concepts and develop doctrine for future

planning and deployments. The desired outcomes of the FLL are to standardize operational and doctrinal support to each service and CINC and be a single provider of medical materiel in a theater of operations. The FLL concept is based on using a single reliable source for all needed medical materiel. DSCP is the obvious choice for this single source and has been involved with the FLL from its inception. The FLL concept has been proven in Haiti and most recently in El Salvador with over $1M in support to date. Refinement and evaluation however, are still ongoing. The diagram below attempts to show all the processes that the FLL is bringing together.

## Focused Logistics Laboratory Support Plan




The Focused Logistics Laboratory is:

- Striving to provide optimal automation support for medical units deployed during a Military Operation Other Than War (MOOTW) or Major Theater War (MTW)
- Proposing doctrine changes for function of theater materiel management issues—JV 2020
- Continuing to provide flexible and scaleable MOOTW support through DLA that optimizes commercial practices.

## Electronic Procurement Program Initiative (EPPI)

DSCP is modernizing how it processes information, especially in the area of reducing requisition-processing times. The Electronic Procurement Program Initiative (EPPI) is a program under the Immediate Customer Support (ICS) Business Process Improvement (BPI) to replace current SAMMS batch processing with an on-line interactive business process relating to satisfying a requisition in real-time. EPPI improves logistic response times and reduces costs by utilizing industry capabilities such as EC/EDI and electronic price lists to generate and issue delivery orders. EPPI improves supply availability by using long term contracts, especially in the area of issuing immediate delivery orders for Direct Vendor Delivery, thereby reducing lead times. Today routine pharmaceutical MILSTRIP requisitions for NSNs that are resident in the pharmaceutical VMI program are processed to Bindley Western using EPPI. In the future, medical surgical high priority MILSTRIP requisitions for NSNs that are resident in the medical surgical VMI program will be processed to Allegiance using EPPI. EPPI provides immediate processing of requisitions by utilizing on-line funds management, technical data checks and real-time procurement processing. This in turn reduces the investment in inventory by decreasing the number of items and storage locations and increasing the reliance on DVD.

## Medical Assembly Program

The DSCP Medical Assembly Mission is yet another critical component of our readiness mission. Utilizing our DLA depots, all size and variety of sets, kits and outfits (SKOs) can be assembled and shipped in any time frame. The Medical Assembly organization, both at DSCP and at our DLA Depots, is capable of assembling kits ranging from blanket sets to fully deployable field hospitals. The Medical Assembly section has played a major readiness role for years and is critical to the rapid deployment of hospitals, medical supplies and equipment ranging from military contingencies to humanitarian aid missions. There are essentially three types of Assemblies:

- Deployable Medical Systems (DEPMEDS): are standard and non-stocked modules designed by the Joint Readiness Clinical Advisory Board (JRCAB) that are used to configure military field hospitals. These items are assembled only after receipt of a requisition from a customer.
- Minor Assemblies: are standard and depot stocked assemblies that are designed by the JRCAB. They are stocked in the depot for future use based on past usage and projected demand.
- Major Assemblies: are non-stocked, non-standard, service unique assemblies, which are designed by the Services and are not assembled until receipt of a customer requisition. These may be medical or non-medical assemblies.

Major stakeholders include the Service Customers [US Army medical Materiel Agency (USAMMA), Air Force Medical Logistics Office (AFMLO), and the Naval Medical

Logistics Command (NAVMEDLOGCOM)], DSCP Medical, Defense Depot Command, end item customers, and potentially Prime Vendors and/or other major suppliers.

Today's Medical Assembly Program is challenged by a shift from the previous DLA business process of stocking material at the depot to the latest business process innovations such as Prime Vendor, Vendor Managed Inventory, Medical ECAT, and Multi-Sourcing.

In order to take advantage of the newest business practices the Medical Assembly mission is in the process of developing a cutting-edge, state-of-the-art application to be utilized by all major stakeholders in the process. This application is called the Virtual Medical Assembly and will foster total medical supply chain integration by incorporating the latest Medical Logistics business processes including Prime Vendor, Vendor Managed Inventory, etc. It will also provide a common web based application and shared data environment for all of the major stakeholders in the process, along with harnessing the power of cutting edge technologies to the advantage of the assembly process.
The Virtual Medical Assembly will provide an effective planning capability tool for medical planners that will significantly reduce manual effort throughout the process. Customer wait time will be minimized, along with providing the capability to ensure the customer of time definite delivery, and total asset visibility. All of these enhancements will significantly improve percent of fill for assemblies and minimize material shortages that in past negatively impacted both the customers and DSCP.

## Medical Equipment Deferred Procurement Initiative:

Medical Readiness, working with the Medical Equipment CBU, has initiated a project to determine if a Corporate Exigency type of contract would be suitable for the deferment of equipment purchases while still supporting war reserve requirements. The IMLG has identified Patient Movement Items (PMI) as the equipment category that would receive the most benefit from a deferred procurement scenario. The IMLG has instructed the Equipment Acquisition IPT to evaluate the concept using PMI items. Patient Movement Items include defibrillators, infusion pumps, pulse oximeters, suction apparatus, ventilators and vital signs monitors. Patient generation models and evacuation plans have identified large PMI equipment shortfalls for the Services. Since this requirement would only be executed in the event of a MTW, the government could contract for access to the production of the equipment rather than procuring equipment and incurring warehousing costs as well obsolescence risks. The services have agreed to provide DSCP with time phased requirements that they are willing to defer rather than procure. DSCP has identified a candidate for a pilot program and hopes to have a contract awarded by the end of fiscal year 2001.

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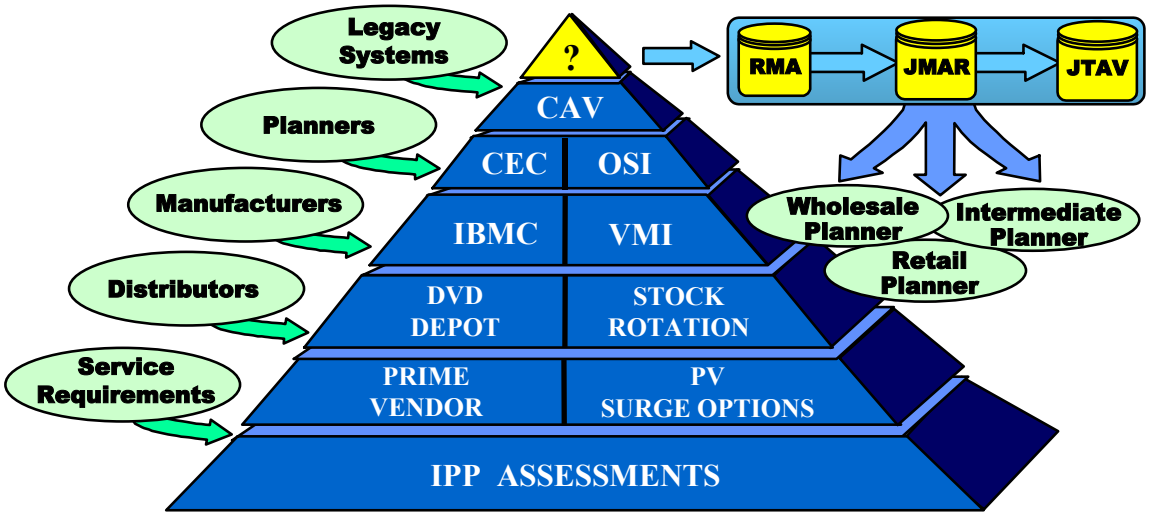
# WHOLESALE MEDICAL LOGISTICS READINESS PLAN

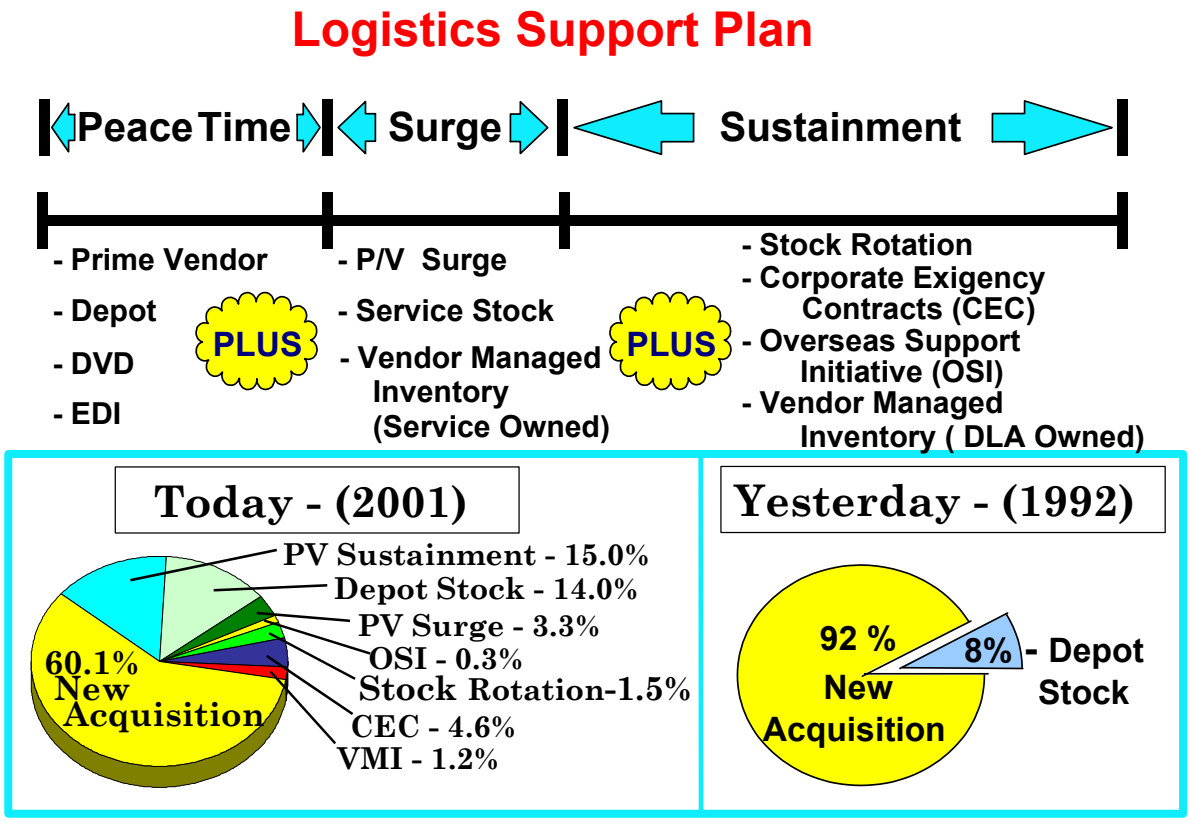
Throughout your reading of the Wholesale Medical Logistics Readiness Plan, the booklet has addressed each of the building blocks and initiatives as a separate entity. DSCP Medical Directorate looks at the logistics readiness plan as a complete 'Building'. A structure that is only as sound as the blocks that make it a Building. Over these last few years the Services and DSCP Medical have used the various block components to meet contingency missions as well as Military Services' exercises validating the Readiness structure. Based on these results it is our belief that the readiness 'pyramid' we are constructing is a sound structure for providing readiness support to our fighting forces. Our vision is that the Readiness Building functions as one cohesive unit, providing seamless, responsive readiness support to our customers. We as logistics planners must ensure that this vision is adhered to and remains our ultimate objective in meeting the goal of *"Supporting America's Fighting Forces."*




It is the intent of this booklet to increase your awareness of how we at DSCP are striving to continuously build our readiness pyramid to support the Services' mobilization requirements. We have elaborated on how we are building partnerships with the healthcare industry, the Services and the various other government and civilian

organizations to improve our readiness posture and our ability to manage readiness support through effective supply chain management. We strongly believe that the Services use of our CAV data will greatly improve item selection and requirement determination. We are investing in upgrading system support as well as developing new applications, such as the Readiness Management Application (RMA)/Readiness Decision Support System (RDSS) to enhance and improve our ability to manage medical readiness support. We are now partnering at an international level with overseas manufacturers and distributors under the Overseas Support Initiative (OSI) by gaining access to preposition medical materiel for Europe. This initiative will lead to expanding, adopting and planning for more items that are readily supportable in the domestic and international commercial marketplace.

We firmly believe that only through effective and comprehensive planning in conjunction with the Services can we ever hope to meet the challenges of readiness at a cost that we can all afford. We look for the readiness building blocks to function independently, and yet intuitively as a single support unit, in order to provide the highest state of responsive through the **continuum of logistics support.**




Readiness planners at the Wholesale, Intermediate, and Retail level must continue to work together in unison and as one united entity if we ever plan to solve the challenges of medical readiness.

Just as the ? mark at the top of the pyramid indicates that the building process is not complete, it also emphasizes to planners to continue to ask those tough questions, such as:

- Look outside the box, is there another way to meet this requirement?
- Can we afford to support this item?
- What new innovative programs can we design to meet these challenges?
- Are the materiel time phased requirements accurate?
- Is there any technological advancement in the healthcare industry that can meet this requirement or render the item more supportable?

Needless to say, the above questions serve only as samples as to the type of questions which we, as Medical Materiel Managers and Logistics Planners, must continue to pursue and to seek answers. Our hope is that the **Wholesale Medical Logistics Readiness Plan** will serve as a sound structure upon which to continue to build DSCP wholesale readiness support, as well as support your own medical logistics readiness plans.

If you have any suggestions or innovative ideas regarding Medical Readiness improvements that you want to share with us, please contact:

**LTC Kelvin Owens (DSCP-MR)**

**Defense Supply Center Philadelphia**
**700 Robbins Avenue**
**Philadelphia, PA 19111-5092**

**Comm: (215) 737-8023**
**DSN: 444-8023**
**E-mail: kowens@dscp.dla.mil**

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# ACRONYMS

| Acronym | Definition |
|---|---|
| ACE | Advanced Contracting of Equipment |
| ACN | Assembly Control Number |
| ACPOP | Alternate Commercial Product Ordering Program |
| ADP | Automated Data Processing |
| AF | Air Force |
| AFMLO | Air Force Medical Logistics Office |
| AIS | Automated Information System |
| AMC | Air Mobility Command |
| AMS | Automated Manifest System |
| ARO | After Receipt of Order |
| ASSY MGNT | Assembly Management |
| BAA | Broad Agency Announcement |
| BDN | Build Directive Number |
| BMA | Business Management Application |
| BP | British Pharmaceopoeia |
| BPA | Blanket Purchase Agreement |
| BPI | Business Process Improvement |
| BPR | Business Process Reengineering |
| BRVI | Buy Readiness Vice Inventory |
| CAIM | Customer Area Inventory Management |
| CAV | Commercial Asset Visibility |
| CBU | Commodity Business Unit |
| CCB | Configuration Control Board |
| CCP | Consolidated Containerization Point |
| CEC | Corporate Exigency Contracts |
| CENTCOM | Central Command |
| CDMIA | Customer Demand Management Information Application |
| CFM | Contractor Furnished Materiel |
| CIM | Contractor Inventory Materiel |
| CINC | Commander-in-Chief |

| Acronym | Definition |
|---|---|
| CONUS | Continental United States |
| COTS | Commercial off the Shelf |
| CPCS | Commercial Product Classification System |
| CRAF | Civil Reserve Air Fleet |
| DAAS | Defense Automatic Addressing System |
| DAPA | Distribution and Pricing Agreements |
| DEPMEDS | Deployable Medical Systems |
| DLA | Defense Logistics Agency |
| DMA | Distribution and Pricing Agreements Management Application |
| DMLSS | Defense Medical Logistics Standard Support |
| DMS | Distribution and Pricing Agreements Management System |
| DoD | Department of Defense |
| DPG | Defense Program Guidance |
| DRMO | Defense Reutilization and Marketing Office |
| DSCP | Defense Supply Center Philadelphia |
| DSCPE | Defense Supply Center Philadelphia Europe |
| DSS | Decision Support System |
| DVD | Direct Vendor Delivery |
| EC | Electronic Commerce |
| ECAT | Electronic Catalog |
| EDI | Electronic Data Interchange |
| EPPI | Electronic Procurement Program Initiative |
| ERP | Enterprise Resource Planning |
| ESOC | Emergency Supply Operations Center |
| EUCOM | European Command |
| FAR | Federal Acquisition Regulations |
| FCS | Forward Customer Support |
| FDA | Food and Drug Administration |
| FDB | First Data Bank |
| FEDEX | Federal Express |
| FEDLOG | Federal Logistics Systems |
| FEMA | Federal Emergency Management Agency |
| FHSO | Fleet Hospital Support Office |
| FISC | Fleet and Industrial Supply Center |
| FLL | Focused Logistics Laboratory |
| FM | Facilities Management |
| FOB | Free Onboard Delivery (origin or destination) |
| FSC | Federal Supply Class |
| FSS | Federal Supply Schedule |
| FTP | File Transfer Protocol |
| FY | Fiscal Year |
| GBL | Government Bills of Lading |

| Acronym | Definition |
|---|---|
| GIDEP | Government Industry Data Exchange Program |
| GCCS | Global Command and Control System |
| GCSS | Global Combat Support System |
| GMLOC | Global Medical Logistics Operations Center |
| GPM | Government Purchased Materiel |
| GSA | General Services Administration |
| GTN | Global Transportation Network |
| GUI | Graphical User Interface |
| HIFAC | Health Industry Federal Advisory Council |
| HQ | Headquarters |
| IBMC | Industrial Base Maintenance Contracts |
| IBP | Industrial Base Planning |
| ICS | Immediate Customer Support |
| ID | Identification |
| ICIS | Integrated Consumable Item Support |
| ICOM | Input, Control, Output, Mechanism |
| IPP | Industrial Preparedness Planning |
| IPR | In-Process Review |
| IPSYS | Industrial Preparedness System |
| IPT-IPP | Integrated Process Team-Industrial Preparedness Planning |
| IMLG | Integrated Medical Logistics Group |
| ISSOT | Inter-Service Supply Support Operation Team |
| ITV | In-transit Visibility |
| IV | Intravenous |
| JADWG | Joint Application Development Working Group |
| JCHEMRATES | Joint Service Chemical Defense Equipment Consumption Rates Study |
| JFCOM | Joint Forces Command |
| JIT | Just In Time |
| JHSS | Joint Health Services Support |
| JMAR | Joint Medical Asset Repository |
| JML2010 | Joint Medical Logistics 2010 |
| JMRR | Joint Monthly Readiness Review |
| JRCAB | Joint Readiness Clinical Advisory Board |
| JTAV | Joint Total Asset Visibility |
| JV | Joint Vision |
| LIDS | Laboratory Integrated Delivery System |
| LRO | Logistics Request Order |
| MECA | Medical Electronic Customer Assistance |
| MEDEX | Medical Air Express |
| MEDLOG | Medical Logistics |
| MEDLOGTAV | Medical Logistics Total Asset Visibility |

| Acronym | Definition |
|---|---|
| MHSS | Military Health Services System |
| MILSTRIP | Military Standard Requisitioning and Issue Procedures |
| MLMC | Medical Logistics Management Center |
| MLPS | Medical Logistics Proponent Subcommittee |
| MOOTW | Military Operation Other Than War |
| MOP | Mail Order Pharmacy |
| MRC | Major Regional Conflict |
| MRDSS | Medical Readiness Decision Support System |
| MRO | Materiel Request Order |
| MTW | Major Theater War |
| NAA | Nerve Agent Antidote |
| NAAA | Nerve Agent Antidote Autoinjectors |
| NDA | New Drug Application |
| NDC | National Drug Code |
| NIB | National Industries for the Blind |
| NIR | National Inventory Record |
| NISH | Formerly the “National Industries for the Severely Handicapped” is now the recognized name of the organization representing disabled personnel in the industrial base. |
| NMLC | Naval Medical Logistics Command |
| NMOP | National Mail Order Pharmacy |
| NSN | National Stock Number |
| OCONUS | Outside Continental United States |
| OOTW | Operations Other Than War |
| OPLAN | Operations Plan |
| OSI | Overseas Support Initiative |
| PACOM | Pacific Command |
| PC | Personal Computer |
| PPV | Primary Prime Vendor |
| PR | Purchase Request |
| PREPACS | Prepackaged Medical Supplies |
| PV | Prime Vendor |
| RDBMS | Relational Database Management System |
| RDD | Required Delivery Date |
| RDSS | Readiness Decision Support System |
| RF | Radio Frequency |
| RMA | Readiness Management Application |
| ROI | Return On Investment |
| SAMMS | Standard Automated Materiel Management System |
| SIMLM | Single Integrated Medical Logistics Manager |

| Acronym | Definition |
|---|---|
| SKO | Sets, Kits, and Outfits |
| SLEP | Shelf Life Extension Program |
| SME | Subject Matter Expert |
| SOS | Source of Supply |
| SOUTHCOM | Southern Command |
| SOW | Statement of Work |
| SPV | Secondary Prime Vendor |
| SPEDE | SAMMS Procurement by Electronic Data Exchange |
| SRIM | Stockroom and Readiness Inventory Management |
| TAMMIS | Theater Army Medical Management Information System |
| TAV | Total Asset Visibility |
| TCMD | Transportation Control and Movement Document |
| TIR | Total Item record |
| TPFDD | Time Phased Force Deployment Data |
| UA | Unit Assembly |
| UDR | Universal Data Repository |
| UK | United Kingdom |
| UPN | Universal Product Number |
| UPS | United Parcel Post |
| USAMMA | United States Army Medical Materiel Agency |
| USAMMCE | United States Army Medical Materiel Center-Europe |
| USNS | United States Naval Ship |
| VA FSS | Veterans' Administration Federal Supply Schedule |
| VB | Visual Basic |
| VENEX | Vendor Express |
| VMI | Vendor Managed Inventory |
| WMLRP | Wholesale Medical Logistics Readiness Plan |
| WR | War Reserve |
| WWW | World Wide Web |
| WWX | World Wide Express |

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# RMA

## READINESS MANAGEMENT APPLICATION


***The comprehensive readiness management tool to access the wholesale readiness posture of any item.***

The Readiness Management Application (RMA) will support military missions throughout the operational spectrum into the next century. By linking all wholesale readiness-related data and activities, RMA will allow stakeholders to collaborate and quickly resolve readiness challenges. RMA will provide electronic supply-chain management and the tools to conduct supply-and-demand forecasting with improved data accuracy to both the Services and Defense Supply Center Philadelphia (DSCP).

## Background

Currently, there is not a single source of readiness information for wholesale-level readiness planning, execution, and sustainment functions to support DoD missions. Also, in today's environment, planning for the mobilization of medical materiel is complicated by commercial practices such as Prime Vendor and Just-In-Time (JIT) inventory. These practices increase the requirements for access and visibility of the commercial medical logistics base. Version 1.0 of the RMA was fielded in July of 2000.

## Benefits of RMA

- Provides medical logisticians access to real-time medical materiel status.
- Emphasizes shift from a requirements-based system to a real-world capabilities-based system.
- Accurately assesses the DSCP medical readiness posture for any specified time, in any scenario, on any item.
- Provides wholesale total asset visibility, including commercial asset visibility of both government contract and commercial items.
- Compares commercial sales and trends against the Services' readiness requirements to ensure that planning is for the right items.
- Reduces acquisition and sustainment costs for medical materiel items.

## Readiness Management Application

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Defense Supply Center Philadelphia

Last Updated April 5, 2001

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DEFENSE LOGISTICS AGENCY

# DSCP MEDICAL READINESS

Best Value Solutions for America's Warfighters

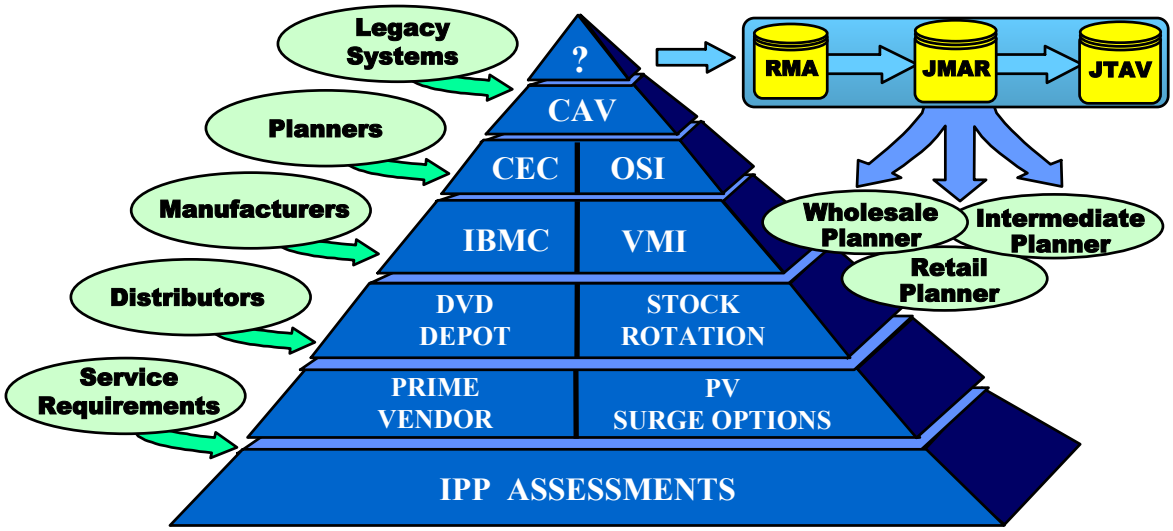
## Wholesale Medical Logistics Plan

### Vision

The Medical Directorate's readiness **vision** to meet the challenges of *"Supporting America's Fighting Forces"* is a comprehensive, iterative concept of various building block programs which provide a continuum of acquisition and support options. DSCP is actively working the readiness concept by developing new and innovative partnerships with the healthcare industry. The readiness program partnership's focus is on buying response and access to inventory, vice purchasing inventory, to guarantee healthcare materiel support for the Services. Our **goal** is to be the Services' logistics support system of choice for medical materiel and services by employing velocity management techniques and focused logistics. Our **objective** is to meet the surge and sustainment needs of the Services' with 100% availability of materiel for both planned and unplanned requirements.

### Concept

The Medical Directorate has developed and is continuing to develop acquisition and support strategies to meet the above challenges and the challenges of Joint Vision 2020. Utilizing inputs from various sources, DSCP's readiness and support concept is built as a pyramid. Each block plays an important and specific role in meeting the Services' requirements. Industrial Preparedness Planning (IPP) Assessments is the foundation; Depot Stocks/Direct Vendor Delivery and the Prime Vendor program are the cornerstones; Stock Rotation, Prime Vendor Surge, Vendor Managed Inventory (VMI), Corporate Exigency Contracts (CEC), and Commercial Asset Visibility (CAV) are the critical healthcare industry partnerships. The Readiness Management Application (RMA) serves as the focus application tool that will allow DSCP-Medical and the Services the ability to utilize, via one database, the DSCP readiness information and visualize the total coverage available for the Services' medical requirements. The RMA will feed data and information, through the Joint Medical Asset Repository (JMAR), to the Joint Total Asset Visibility (JTAV) repository for all DoD to view.




For more information call: MAJ William Warden, USAF
DMLSS-W (215) 737-3812 or wwarden@dscp.dla.mil

*Supporting America's Fighting Forces*